
Slate Office REIT

Q1 2020 Quarterly Report



SLATE

Experience
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knowledge to
execute quickly.





Blue Cross Centre, Moncton, NB

About Slate Office REIT

(TSX: SOT.UN)

Slate Office REIT is an open-ended real estate investment trust. The REIT's portfolio comprises 36 strategic and well positioned real estate assets located primarily across Canada's major population centres and includes two downtown assets in Chicago, Illinois. The REIT is focused on maximizing value through internal organic rental and occupancy growth and strategic acquisitions. Visit slateofficereit.com to learn more.

Slate Office REIT is managed by Slate Asset Management. Slate Asset Management is a leading real estate focused alternative investment platform with over \$6 billion in assets under management. Slate is a value-oriented manager and a significant sponsor of all of its private and publicly traded investment vehicles, which are tailored to the unique goals and objectives of its investors. The firm's careful and selective investment approach creates long-term value with an emphasis on capital preservation and outsized returns. Slate is supported by exceptional people, flexible capital and a demonstrated ability to originate and execute on a wide range of compelling investment opportunities. Visit slateam.com to learn more.

Forward-looking Statements

Forward-looking Statements Certain information in this management's discussion and analysis ("MD&A") constitutes "forward-looking statements" within the meaning of applicable securities legislation. These statements reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of Slate Office REIT (the "REIT") including expectations for the current financial year, and include, but are not limited to, statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Statements that contain words such as "could", "should", "would", "can", "anticipate", "expect", "does not expect", "believe", "plan",

"budget", "schedule", "estimate", "intend", "project", "will", "may", "might", "continue" and similar expressions or statements relating to matters that are not historical facts constitute forward-looking statements. Some of the specific forward-looking statements contained herein include, but are not limited to, statements relating to the impact of the COVID-19 pandemic. These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on the REIT's current estimates and assumptions, which are subject to significant risks and uncertainties. The REIT believes that these statements are made based on reasonable assumptions; however, there is no assurance that the events or circumstances reflected in these forward-looking statements will occur or be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to the risks that are more fully discussed under the "Risk Factors" section of the annual information form of the REIT for

the year ended December 31, 2019 ("Annual Information Form"). Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: risks incidental to ownership and operation of real estate properties including local real estate conditions; financial risks related to obtaining available equity and debt financing at reasonable costs and interest rate fluctuations; operational risks including timely leasing of vacant space and re-leasing of occupied space on expiration of current leases on terms at current or anticipated rental rates; tenant defaults and bankruptcies; uncertainties of acquisition activities including availability of suitable property acquisitions and integration of acquisitions; competition including development of properties in close proximity to the REIT's properties; loss of key management and

employees; potential environmental liabilities; catastrophic events, such as earthquakes and hurricanes; governmental, taxation and other regulatory risks and litigation risks. Forward-looking statements included in this MD&A are made as of February 28, 2020, and accordingly are subject to change after such date. The REIT does not undertake to update any forward-looking statements that are included in this MD&A, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities laws. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. Investors are cautioned against placing undue reliance on forward-looking statements.

Highlights

36

Number of properties

\$6.9M

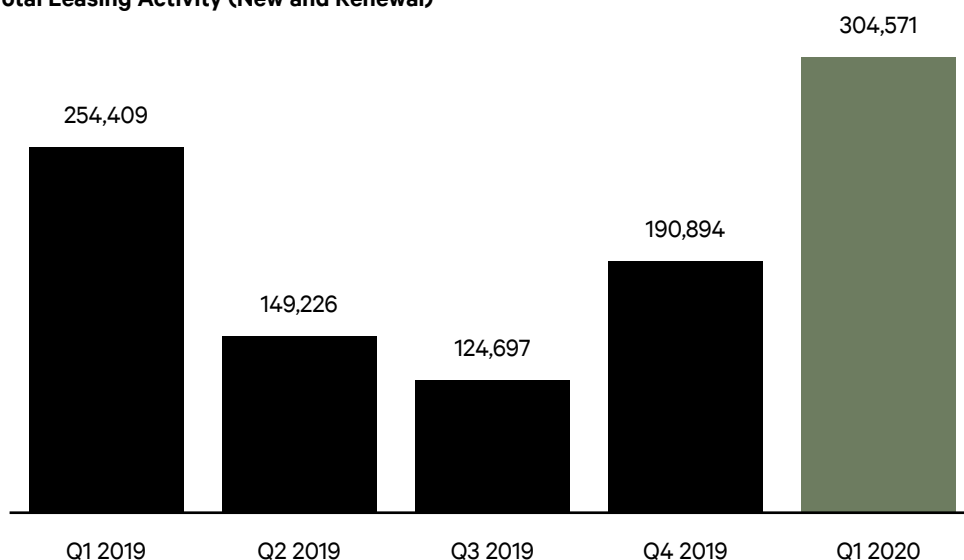
Square feet

\$1.7M

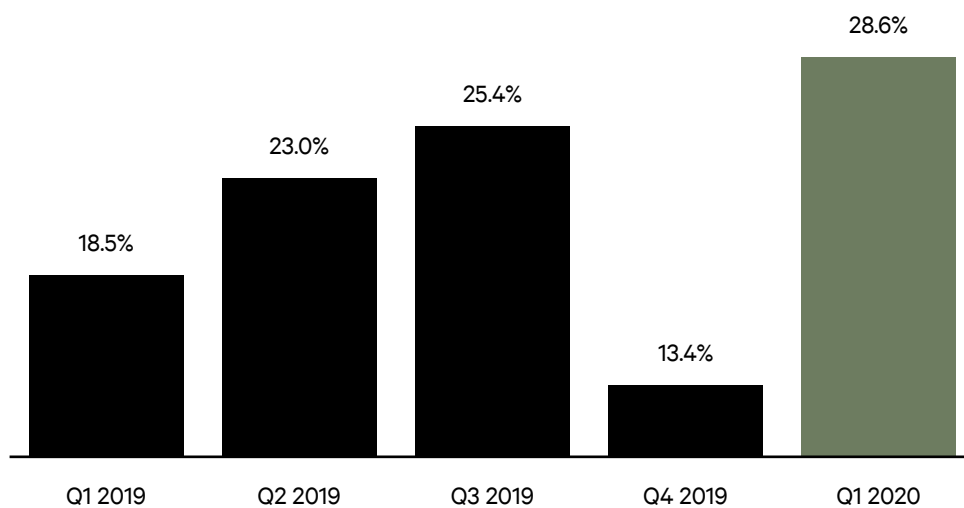
Total asset value

Strong Leasing and Positive Leasing Spread

Total Leasing Activity (New and Renewal)





Total Leasing Spreads (New & Renewal)



Top 5 Tenants

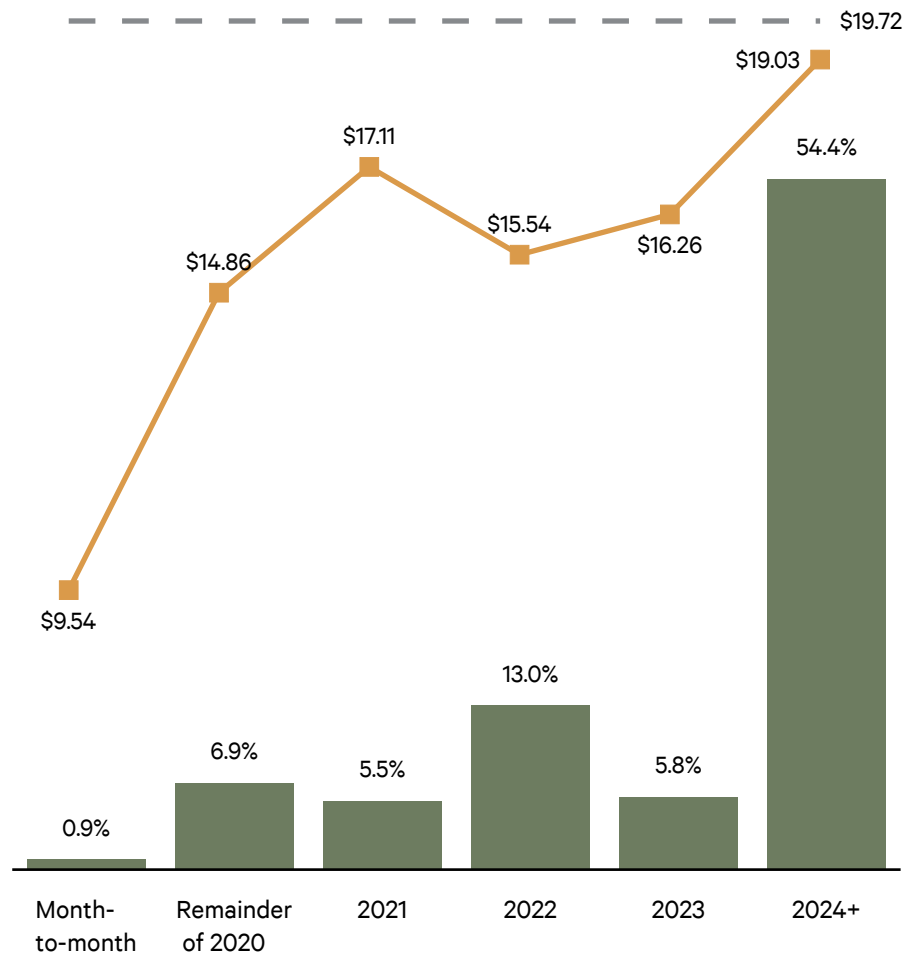
Ranked by Annual Base Rent*

1	7.4%	
2	6.9%	
3	6.8%	
4	4.6%	
5	3.4%	




61% of base rent is derived from government or credit rated tenants

* As of March 31, 2020

In-Place vs. Market Rents



Legend

-  Current Market Rent
-  Average Expiring Rent
-  Percentage of Portfolio Expiring

Slate.
Where value
investing meets
investors with
values.





Letter to Unitholders

Dear Fellow Unitholders,

I am extremely pleased with the resiliency of the portfolio and the performance of our team, enabling the REIT to collect 97% of rent in cash within the month of April.

Much has changed since the last unitholder letter, a few short weeks ago. At that time, we were off to a strong start to 2020 on the leasing side and were actively exploring acquisition opportunities in target markets. The emergence of COVID-19 and resulting global pandemic has had a profound impact on all aspects of our lives, including our business.

First and foremost, our priority is the safety and well-being of our tenants, employees and partners and ensuring that we provide accurate and direct communication in a timely manner. Throughout this ordeal, our asset management team has been in daily contact with our tenants, property management and leasing teams and on-site service providers. While a significant degree of uncertainty remains with respect to timing in different jurisdictions, as the focus begins to shift towards a responsible and carefully managed reintegration we will continue to employ best practices at every level.

In addition to the incredibly hard work of our team, the quality of the REIT's assets and creditworthiness of the tenancy have been integral to our ability to collect 97% of April's rents in cash within the month. Early indications show May collections to be on a similar trajectory. The office sector as a whole has fared well in relation to other asset classes at average April rent collections of 92%. Slate Office REIT is amongst the sector's top performers.

The REIT's disciplined and consistent approach to acquiring quality real estate assets at a discount to replacement cost and then proactively managing to create value has resulted in a highly resilient portfolio highlighted by 61% of the REIT's income being generated by government and credit rated tenancies. Moreover, the REIT's largest industry concentration by tenancy are to government and financial services, at 14% and 10% respectively with less than 2% exposure to the energy sector.

In many ways, COVID-19 is subjecting our industry to the ultimate stress test and we are incredibly proud of the performance of both our team and our portfolio.

“ The REIT completed 304,571 sq. ft. of leasing at an average increase in rent of 28.6% ”

Operations

We began 2020 with a very strong quarter of leasing activity across the entire portfolio. The REIT completed 304,571 square feet of total leasing at an average increase of rent of 28.6%. New lease transactions comprised 108,663 square feet at a 21.5% increase while renewals accounted for 195,908 square feet at an average increase of 33.4%. Overall, the REIT's weighted average term to lease maturity is 5.5 years with in-place rents on average 10% below market providing continued opportunity.

Given the quality and location of our assets we expect to resume this positive leasing momentum over time as the overall global economy begins to re-open. It is also worth noting that the REIT's lease maturities over the next two years are 6.9% in 2020 and 5.5% in 2021 - lower than the historical average of approximately 18%.

During the quarter, the REIT's loan-to-value ratio continued to improve, ending at 58.3%. We expect this trend to continue until we reach our objective of maintaining leverage in the mid-50% range - allowing the REIT to maintain the ability and flexibility to invest both in new assets and in revenue generating initiatives in the existing portfolio.

Maritime Centre

Maritime Centre in Halifax, Nova Scotia was acquired as part of the Fortis Portfolio transaction in 2015 at a cost of \$108 per square foot - a 75% discount to replacement cost. Given the quality of the building, its excellent location and below market in-place rental rates, we were excited about the value creation prospect that it presented. Since acquisition, we have increased occupancy by 24% and rent by 26%. In the first quarter of 2020, we completed a refinancing of Maritime Centre that implied a value increase of \$49 million. Included in the financing was a capital facility of \$12.6 million that will be used to fund investment in additional value creating initiatives. In total, this transaction provides the REIT with \$28.8 million of proceeds, bolstering the overall liquidity of the REIT which is of particular importance in these uncertain times.

The Future

It is hard to know for certain when we will get back to “normal” or even what the new normal will look like. What we do know for certain is that there will be an other side. Our commitment to unitholders is that we will continue to work just as hard then as we have in the past and are now, building on the strength of our existing portfolio of assets and the efforts and experience of our team to uncover the exciting new opportunities that will inevitably arise.

Thank you for your continued support as unitholders.



Sincerely,
Scott Antoniak
Chief Executive Officer
May 13, 2020

Management's Discussion and Analysis

SLATE OFFICE REIT

TSX: SOT.UN

March 31, 2020

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FINANCIAL AND INFORMATIONAL HIGHLIGHTS

(in thousands, except per unit amounts and as otherwise stated)

	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Summary of Portfolio Information					
Number of properties	36	37	38	39	41
Gross leasable area ("GLA") ¹	6,936,049	7,113,814	7,336,092	7,492,011	7,582,482
Total assets	\$ 1,700,643	\$ 1,709,964	\$ 1,751,013	\$ 1,742,831	\$ 1,875,906
Total debt	\$ 991,057	\$ 1,001,947	\$ 1,044,297	\$ 1,064,353	\$ 1,181,621
Occupancy ²	86.5%	87.1%	86.3%	87.2%	87.7%

	Three months ended				
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Summary of Financial Information					
Revenue	\$ 49,694	\$ 51,329	\$ 52,539	\$ 54,452	\$ 57,200
Net operating income ("NOI") ³	\$ 22,995	\$ 24,174	\$ 25,435	\$ 26,384	\$ 27,043
Same-property NOI change ^{3,4}	(3.0)%	(0.3)%	(1.7)%	1.6%	4.9%
Net (loss) income	\$ (14,906)	\$ 19,813	\$ 27,195	\$ 9,514	\$ 5,919
Funds from operations ("FFO") ³	\$ 12,408	\$ 12,600	\$ 14,280	\$ 13,103	\$ 13,543
Core-FFO ³	\$ 13,054	\$ 13,236	\$ 14,906	\$ 13,719	\$ 14,150
Adjusted FFO ("AFFO") ³	\$ 11,189	\$ 11,498	\$ 12,420	\$ 12,193	\$ 11,766
IFRS net asset value ("NAV") ³	\$ 629,983	\$ 659,057	\$ 649,423	\$ 624,928	\$ 634,447
Per Unit Financial Information					
Weighted average diluted number of trust units (000s)	73,278	73,278	73,283	74,093	75,247
Diluted units outstanding (000s)	73,201	73,291	73,277	73,293	74,746
IFRS NAV per unit ³	\$ 8.61	\$ 8.99	\$ 8.86	\$ 8.53	\$ 8.49
FFO per unit ³	\$ 0.17	\$ 0.17	\$ 0.19	\$ 0.18	\$ 0.18
Core-FFO per unit ³	\$ 0.18	\$ 0.18	\$ 0.20	\$ 0.19	\$ 0.19
AFFO per unit ³	\$ 0.15	\$ 0.16	\$ 0.17	\$ 0.16	\$ 0.16
Distributions per unit ³	\$ 0.1000	\$ 0.1000	\$ 0.1000	\$ 0.1000	\$ 0.1583
FFO pay-out ratio ³	58.9 %	58.0 %	51.2 %	56.2%	87.8%
Core-FFO payout ratio ³	56.0 %	55.2 %	49.0 %	53.7%	84.0%
AFFO pay-out ratio ³	65.3 %	63.6 %	58.8 %	60.4%	101.1%

	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Financial Data					
Loan-to-value ("LTV") ratio	58.3%	58.7%	59.7%	61.2%	63.1%
Weighted average debt interest rate	3.9%	3.9%	3.9%	4.0%	4.1%
Interest coverage ratio (times) ³	2.2x	2.2x	2.1x	2.2x	2.0x
Net debt to adjusted EBITDA ratio (times) ³	10.4x	10.1x	10.2x	10.0x	11.2x

¹Gross leasable area is presented at 100% of the building's GLA, without taking ownership percentage into consideration.

²Occupancy is presented at 100% of the building's GLA, without taking ownership percentage into consideration.

³The calculation of these non-IFRS financial measures and a reconciliation to relevant IFRS measures are included in Part III and IV.

⁴The percentage change in same-property NOI compares to the NOI attributable to the same-property portfolio for the applicable quarter to its comparative quarter in the prior year.

PART I - OVERVIEW

INTRODUCTION

This MD&A of the financial position and results of operations of the REIT is intended to provide readers with an assessment of performance and summarize the financial position and results of operations of the REIT for the three month period ended March 31, 2020. The presentation of the REIT's financial results, including the related comparative information, contained in this MD&A are based on the REIT's unaudited condensed consolidated interim financial statements as at March 31, 2020 and for the three months ended March 31, 2020 and 2019 (the "consolidated financial statements"). This MD&A should be read in conjunction with those consolidated financial statements. All dollar amounts are in thousands of Canadian dollars, unless otherwise noted.

The information contained in this MD&A is based on information available to the REIT and is dated as of May 13, 2020, which is also the date the Board of Trustees, upon the recommendation of its Audit Committee, approved the contents of this MD&A.

SLATE OFFICE REIT PROFILE

The REIT is an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated as of March 21, 2016, as amended March 1, 2019, as it may be further amended, supplemented or amended and restated from time to time (the "Declaration of Trust"). On March 31, 2020, the REIT owned interests in 36 properties comprised of 33 office properties and 3 non-office properties totaling 6.8 million and 0.1 million square feet, respectively, of GLA. The properties are located in geographically diversified markets in Canada and the United States of America (the "U.S.").

The REIT is externally managed and operated by Slate Management ULC ("SMULC"), an indirect subsidiary of Slate Asset Management (Canada) L.P., (collectively, "Slate" or the "Manager"). Slate has an experienced and dedicated team of real estate professionals with a proven track record of success in real estate investment and management. Management's interests are aligned with the unitholders of the REIT through its sponsorship and as a significant unitholder of the REIT. Slate is the largest unitholder in the REIT, with a 9.5% interest at March 31, 2020 and accordingly, is highly motivated to increase the value of the REIT on a per unit basis and provide reliable returns to the REIT's unitholders. Slate assumed management responsibilities for the REIT in November 2014 with the vision of creating a pure-play office REIT focused on real estate assets with strong fundamentals. This vision was premised on the belief that the office market was changing and a pure-play office REIT would provide a vehicle to capitalize on future opportunities.

Additional information on the REIT, including its Annual Information Form, is available on SEDAR at www.sedar.com and on the REIT's website at www.slateofficereit.com.

NON-IFRS MEASURES

We disclose a number of financial measures in this MD&A that are not measures used under International Financial Reporting Standards ("IFRS"), including net operating income, same property net operating income, funds from operations, core funds from operations, adjusted funds from operations, adjusted funds from operations pay-out ratio, IFRS net asset value, adjusted EBITDA, net debt to adjusted EBITDA ratio, interest coverage ratio and debt service coverage ratio, in addition to certain of these measures on a per unit basis. We utilize these measures for a variety of reasons, including measuring performance, managing the business, capital allocation and the assessment of risk. Descriptions of why these non-IFRS measures are useful to investors and how management uses each measure are included in this MD&A. We believe that providing these performance measures on a supplemental basis to our IFRS results is helpful to investors in assessing the overall performance of our business in a manner similar to management. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with IFRS. We caution readers that these non-IFRS financial measures may differ from the calculations disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others. Reconciliations of these non-IFRS measures to the most directly comparable financial measures calculated and presented in accordance with IFRS are included within Part III and IV of this MD&A.

RISKS AND UNCERTAINTIES

The REIT's business is subject to a number of risks and uncertainties which are described in its most recently filed Annual Information Form for the year ended December 31, 2019, available on SEDAR at www.sedar.com. Incremental to these risks and uncertainties, an outbreak of the novel coronavirus referred to as "COVID-19" was declared a pandemic by the World Health Organization on March 11, 2020. Since this time, the global economy has slowed, with significant forced closures of non-essential businesses and services. The duration of the COVID-19 pandemic and the impact on the REIT's operations is uncertain but may impact the ability of certain of the REIT's tenants to meet rent obligations or continue operations.

COVID-19

Slate, as manager of the REIT has a robust COVID-19 response plan in place, with employee and tenant safety a top priority. This plan is intended to monitor and mitigate the business and health risks posed to the REIT and its stakeholders. The REIT is taking operational planning and cost-controlling measure to manage exposure to COVID-19. No assurance can be made that the plan will mitigate the adverse impacts of COVID-19. The COVID-19 pandemic could have a material impact on the financial position, results and cash flows of the REIT, including tenants' ability to pay rent, occupancy, leasing demand, market rents, labor shortages and disruptions, and access to capital markets on acceptable terms or at all, certain of which may impact the REIT, including but not limited to, the valuation of its properties and the ability of the REIT to meet financial

obligations, the measurement of which is not currently determinable. Market volatility has resulted and may continue to result in a negative impact on the market price of the REIT's equity securities. Governments and central banks have intervened through monetary and new fiscal policies, however, it is unknown at this time how these interventions will impact capital markets or the financial stability of the REIT's tenants.

Additional risks and uncertainties not presently known to the REIT or that the REIT currently considers immaterial also may impair its business and operations and cause the price of the REIT's units to decline in value. If any of the noted risks actually occur, the REIT's business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the units could decline, and unitholders may lose all or part of their investment.

STRATEGY

Our strategy is to own an institutional quality portfolio of assets in major office markets, where millions of people come to work every day. We believe that in seeking out assets that can be purchased at a significant discount to peak and replacement value while retaining stable operating fundamentals allow the potential for superior risk-adjusted returns. We believe that approximately two-thirds of office inventory is often overlooked by large institutional investors for various reasons. The REIT's portfolio of office properties provides diversification, an ability to generate cash flow to provide distributions to unitholders, while also providing the opportunity to grow net asset value on a per unit basis. We have taken note that these characteristics exist in numerous markets throughout Canada and the U.S. and have developed a robust pipeline of assets that meet our investment criteria.

While our primary goals are to grow net asset value on a per unit basis and provide distributions to unitholders, we are focused on the following areas to achieve the REIT's objectives:

- Proactive property and asset management that results in NOI growth while minimizing property and portfolio vacancy exposure;
- Prudent and disciplined management of capital outlays that will maintain and increase the attractiveness of the REIT's portfolio and achieve increased rents;
- Continue to increase the REIT's financial strength and flexibility through robust balance sheet management;
- Maintain a conservative AFFO pay-out ratio taking into account the REIT's other available opportunities and capital allocation requirements; and
- Continue to selectively dispose of non-strategic assets and reallocate proceeds toward higher yielding assets.

Overall, we believe that the REIT is positioned for long term growth with a portfolio of high credit-quality tenants and a conservative AFFO pay-out ratio.

TOTAL RETURN TO UNITHOLDERS

As described above, our strategy is to grow net asset value on a per unit basis and provide distributions to unitholders. The REIT believes this strategy aligns to the perspective of the REIT's unitholders, as the combination of (i) the change in net asset value on a per unit basis and (ii) distributions received, represent the value provided to them by the REIT. Over the past number of years, the REIT has consistently provided a meaningful total return to unitholders as outlined below.

The following reconciliation shows the change in IFRS net asset value of the REIT on a total and per unit basis for the three month period ended March 31, 2020, and the years ended December 31, 2019 and 2018:

	Three months ended March 31, 2020		Year ended December 31, 2019		Year ended December 31, 2018	
	IFRS Net Asset Value ¹	Per Unit	IFRS Net Asset Value ¹	Per Unit	IFRS Net Asset Value ¹	Per Unit
Beginning of period	\$ 659,057	\$ 8.99	\$ 642,878	\$ 8.54	\$ 528,051	\$ 8.48
Core-FFO	13,054	0.18	56,011	0.76	57,266	0.79
Property fair value changes ²	(4,240)	(0.06)	32,738	0.44	19,659	0.27
Other fair value changes	(31,860)	(0.43)	(2,710)	(0.04)	(3,350)	(0.05)
Depreciation on hotel	(262)	(0.01)	(1,000)	(0.01)	(947)	(0.01)
Foreign exchange	4,789	0.06	(2,756)	(0.05)	6,241	0.09
Unit issuances	—	—	—	—	98,586	(0.14)
Distributions	(7,309)	(0.10)	(36,133)	(0.46)	(54,728)	(0.75)
DRIP units	—	—	650	(0.01)	1,459	(0.02)
Unit repurchases	(358)	0.01	(12,974)	0.08	(1)	—
Disposition costs	(419)	(0.01)	(12,142)	(0.16)	(2,247)	(0.03)
Other	(2,469)	(0.02)	(5,505)	(0.10)	(7,111)	(0.09)
End of period	\$ 629,983	\$ 8.61	\$ 659,057	\$ 8.99	\$ 642,878	\$ 8.54

¹Refer to the IFRS Net Asset Value section of this MD&A for the calculation of IFRS net asset value on a total and per unit basis to the REIT's consolidated financial statements.

²Includes the impact of IFRIC 21 property tax adjustment.

Net asset value has been determined using the REIT's consolidated financial statements prepared in accordance with IFRS. It is important to note that the consolidated financial statements of the REIT may not be fully representative of the net asset value of the REIT. Specifically, the fair value of properties are measured individually without consideration to their aggregate value on a portfolio basis. No consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or to the utilization of a common management platform, amongst other benefits. As a result, the fair value of the REIT's properties taken in aggregate may differ from the fair value of properties measured individually in the REIT's consolidated statements of financial position.

The REIT's IFRS net asset value has decreased from December 31, 2019. Core-FFO contributed \$131 million to net asset value and \$4.8 million recognized in other comprehensive income, which includes a foreign exchange gain from U.S. dollar appreciation at March 31, 2020 compared to December 31, 2019 as a result of relative weakening of the Canadian dollar. This is offset by a decrease in the fair value of properties of \$4.2 million, primarily driven by a non-cash loss due to IFRIC 21 property tax adjustments of \$7.2 million. The decrease in net asset value is furthered by a \$31.9 million non-cash loss on the fair value of the REIT's pay-fixed interest rate swaps.

The following table shows the per unit value created or provided to unitholders in addition to the related total annual return for the following periods:

	Three months ended March 31, 2020		Year ended December 31, 2019		Year ended December 31, 2018	
	Percentage Return ¹	Per Unit	Percentage Return	Per Unit	Percentage Return	Per Unit
IFRS net asset value change	(15.9)%	\$ (0.38)	5.3%	\$ 0.45	0.8%	\$ 0.07
Distributions	4.4 %	0.10	5.4%	0.46	8.8%	0.75
Total	(11.5)%	\$ (0.28)	10.7%	\$ 0.91	9.6%	\$ 0.82

¹Represents the annualized return for the three months ended March 31, 2020.

To date in 2020, the REIT has provided \$0.10 per unit in distributions and the annualized total return for the three months ended March 31, 2020 was negative 11.5% primarily due to non-cash losses described above for IFRIC 21 property tax adjustments and pay-fixed interest rate swaps. In 2019 and 2018, the REIT created \$0.91 and \$0.82 of value per unit, respectively. Of this a total of \$0.46 (2019) and \$0.75 (2018) was returned to unitholders in the form of a distribution and \$0.45 (2019) and \$0.07 (2018) was retained in the REIT, which served to increase IFRS net asset value. Importantly, this value creation in 2019 and 2018 is equivalent to a 10.7% and a 9.6% total return on a per unit basis, respectively.

A large portion of this total return to unitholders is provided by way of distributions. In 2019, 77.0% of the distributions received by unitholders were treated as a return of capital and 23.0% were treated as capital gains due to the impact of capital gains and depreciation recapture on asset sales and modification of the REIT's distribution to \$0.40 annually. For 2018 and 2017, 100.0% of the distributions received by unitholders were treated as a return of capital for taxation purposes compared to 90.2% in 2016, resulting in a meaningful deferral of the taxation of returns being provided.

IFRS NET ASSET VALUE

IFRS net asset value is a non-IFRS measure and is defined by the REIT as the aggregate of the carrying value of the REIT's equity, Class B LP units and deferred units. Management believes that this measure reflects the residual value of the REIT to equity holders and is used by management on both an aggregate and per unit basis to evaluate the net asset value attributable to unitholders and changes thereon based on the execution of the REIT's strategy.

The following is the calculation of IFRS net asset value on a total and per unit basis at March 31, 2020 and December 31, 2019 to the REIT's consolidated financial statements:

	March 31, 2020	December 31, 2019
Equity	\$ 610,035	\$ 627,305
Class B LP units	19,396	30,918
Deferred unit liability	552	742
Deferred tax liability (asset)	—	92
IFRS net asset value	\$ 629,983	\$ 659,057
Diluted number of units outstanding ¹	73,201	73,291
IFRS net asset value per unit	\$ 8.61	\$ 8.99

¹Represents the fully diluted number of units outstanding and includes outstanding REIT units, DUP units and Class B LP units.

The current price for the REIT's units reflects a substantial discount to the REIT's IFRS net asset value per unit of \$8.61 at March 31, 2020. Management believes that there is a substantive basis to support a net asset value of \$8.61 per unit. The following is an illustration of the REIT's valuation used to determine IFRS net asset value at March 31, 2020:

<i>(thousands, except per unit amount)</i>	Atlantic	Ontario	Western	U.S.	March 31, 2020
Trailing twelve month ("TTM") NOI	\$ 35,680	\$ 39,019	\$ 6,004	\$ 18,285	\$ 98,988
Less: Contribution from disposition properties	—	(3,048)	(292)	—	(3,340)
TTM NOI on in-place portfolio	\$ 35,680	\$ 35,971	\$ 5,712	\$ 18,285	95,648
Capitalization rate					6.02%
Property fair value, excluding vacant and redevelopment					1,588,174
Property fair value of vacant and redevelopment properties					20,464
Data centre					55,499
Working capital					(43,097)
Debt					(991,057)
IFRS net asset value					\$ 629,983
Diluted number of units outstanding					73,201
IFRS net asset value per unit					\$ 8.61

Through the twelve months preceding March 31, 2020 the REIT disposed of five properties and a 25% interest in six properties which contributed \$3.3 million in NOI for same period. The REIT's TTM NOI at March 31, 2020 implies a capitalization rate of 6.02% when compared to the REIT's IFRS fair value excluding non-stabilized and redevelopment properties. This TTM NOI does not give credit to committed leases which have not taken occupancy or have not contributed fully to the TTM NOI.

Unit Repurchases

During the three month period ended March 31, 2020, the REIT repurchased 113,000 units at a total cost of \$0.4 million through its normal course issuer bid ("NCIB"). As COVID-19 continues to develop, the REIT is prioritizing cash preservation over unit repurchases until there is further clarity on the impact COVID-19 will have on the REIT, its business and tenants.

SIGNIFICANT HIGHLIGHTS

The following are the significant highlights for the three month period ended March 31, 2020:

Leasing

- The REIT completed a total of 304,571 square feet of leasing, comprised of 195,908 square feet of renewals and 108,663 square feet of new lease deals.

- The overall rental rate spread on leasing was 28.6%. Renewals were 33.4% above expiring rents while new deals were 21.5% above in-place building rent. The weighted average lease term was 5.5 years at March 31, 2020.
- Notable new leasing includes approximately 40,100 square feet at 2599 Speakman Drive in Mississauga, ON which was leased to a federal government tenant for a term of 10 years and approximately 38,000 square feet at 120 South LaSalle for a term of 11 years.

Maritime Centre Update

- On April 2, 2020 the REIT refinanced the Maritime Centre in Halifax, NS with a leading global financial institution. This financing is comprised of a \$62.5 million mortgage and a \$12.6 million construction facility for a term of 5 years with interest-only payments at a fixed rate of 2.8%.
- The REIT has budgeted approximately \$16.5 million for the previously announced redevelopment of the Maritime Centre. Of this, approximately \$6.5 million has been incurred to date and the balance is expected to be incurred throughout 2020 and 2021.
- Approximately \$6.0 million of project costs can be amortized and recovered through the tenant leases while the balance is non-recoverable capital aimed at driving incremental returns.
- Since acquisition the REIT has driven rent growth by 26% and improved occupancy by 24% at the Maritime Centre.

Financial

- The REIT's LTV has improved to 58.3% at March 31, 2020 from 58.7% at December 31, 2019, an improvement of 0.4%.
- Net loss was \$14.9 million for the first quarter of 2020 resulting from non-cash value decreases on the REIT's pay-fixed interest rate swaps and a non-cash loss from IFRIC 21 property tax adjustments.
- FFO and Core-FFO per unit in the first quarter of 2020 were \$0.17 and \$0.18, respectively.
- FFO and Core-FFO in the first quarter of 2020 were \$12.4 million and \$13.1 million, respectively.
- AFFO in the first quarter of 2020 was \$11.2 million or \$0.15 per unit.

COVID-19

- The REIT's first and foremost concern has been and continues to be the safety of tenants and employees of Slate, as manager of the REIT. As such, the REIT has implemented business continuity plans, health and safety protocols and has maintained open lines of communication with tenants regarding health recommendations and modifications to operating protocols.
- Active communication with stakeholders is critical to stay apprised of developments and to manage and mitigate risks from COVID-19. These stakeholder communications include but are not limited to lenders, property managers, legal counsel, insurance brokers, the REIT's Board of Trustees and government agencies.
- In April 2020, the REIT collected 97% of rent in cash within the month. The residual is to be collected through short-term rent deferral programs.
- The quality of the REIT's assets and tenancy has resulted in strong collections and low rent deferrals in April 2020 compared to most of its peers. The portfolio is comprised of 61% government or credit rated tenants and 2% of the REIT's portfolio is comprised of non-essential retail locations.
- On April 16, 2020, the Government of Canada announced the Canada Emergency Commercial Rent Assistance (CECRA) program which will be introduced to assist small businesses in meeting rent obligations through forgivable loans and rent forgiveness by commercial landlords. The REIT continues to monitor the developments of this program in advance of its introduction and will assess the applicability of this program on a tenant by tenant basis.

PART II - LEASING AND PROPERTY PORTFOLIO

LEASING

The REIT continues to renew and extend leases to drive occupancy and value. In aggregate, 304,571 square feet of leasing was completed in the first quarter of 2020, comprised of 195,908 square feet of lease renewals and 108,663 square feet of new lease deals. Leasing spreads in the quarter were 28.6% overall with lease renewals at 33.4% above expiring rents and new deals at 21.5% above building in place rent. Occupancy at March 31, 2020 decreased 56 basis points to 86.5% compared to 87.1% at December 31, 2019, while the weighted average lease term decreased to 5.5 years. The decrease in occupancy is due to some lease expirations throughout the portfolio. Additionally, the REIT has completed new lease deals that are not reflected in the current in place occupancy as the leases commence subsequent to March 31, 2020.

OCCUPANCY

The following is a continuity of the change in the in place occupancy of the REIT's properties:

	Three months ended March 31, 2020			Three months ended December 31, 2019		
	GLA	Occupancy (square feet)	Occupancy (%)	GLA	Occupancy (square feet)	Occupancy (%)
Occupancy, beginning of period	7,113,814	6,193,483	87.1%	7,336,092	6,333,239	86.3%
Dispositions	(170,679)	(125,628)	73.6%	(225,264)	(154,043)	68.4%
Remeasurements	(7,086)	—		2,986	—	—
Change in same property occupancy	—	(68,334)		—	14,287	—
Occupancy, end of period	6,936,049	5,999,521	86.5%	7,113,814	6,193,483	87.1%
Redevelopment properties	119,145	17,997	15.1%	119,145	17,997	15.1%
Occupancy, excluding redevelopments	6,816,904	5,981,524	87.7%	6,994,669	6,175,486	88.3%

The REIT's objective is to maintain high levels of occupancy throughout the portfolio. At March 31, 2020 the REIT's occupancy including redevelopment office properties was 86.5%, a decrease of 56 basis points from December 31, 2019 due to 68,334 of net vacancy, offset by the disposition of a 73.6% occupied building in January 2020.

LEASE MATURITIES

The REIT generally enters into leases with an initial term to maturity between 2 and 10 years. The weighted average remaining term to maturity at March 31, 2020 was 5.5 years, not including tenants on month-to-month leases. Management considers the current average duration of rents to be indicative of the stability of the portfolio's cash flow generation abilities and diversified maturity risk.

The following table summarizes the composition of the remaining term to maturity of the REIT's leases by region:

	March 31, 2020			December 31, 2019		
	Weighted average years to maturity ¹	GLA	% of GLA	Weighted average years to maturity ¹	GLA	% of GLA
Atlantic	5.4	2,160,971	31.2%	5.3	2,228,314	31.3%
Ontario	4.8	2,479,376	35.7%	5.1	2,611,467	36.7%
Western	7.8	474,266	6.8%	7.4	474,266	6.7%
U.S.	6.8	884,908	12.8%	7.0	879,436	12.4%
	5.5	5,999,521	86.5%	5.6	6,193,483	87.1%
Vacant		936,528	13.5%		920,331	12.9%
Total		6,936,049	100.0%		7,113,814	100.0%

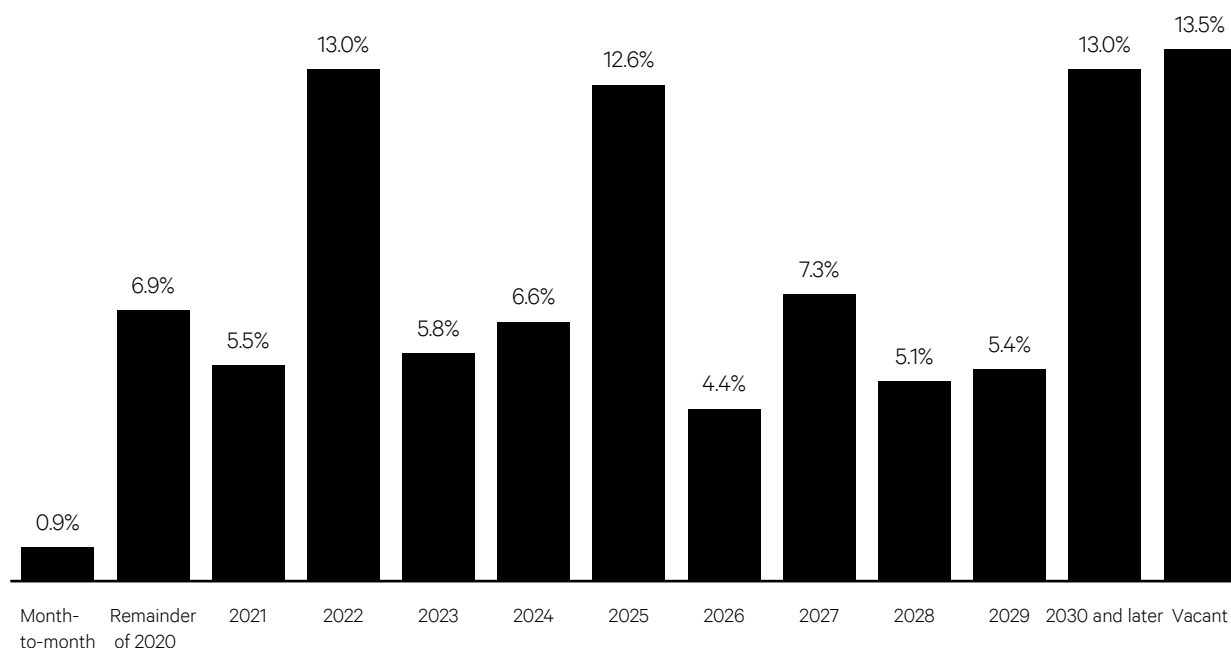
¹The calculation of weighted average term to maturity does not include month-to-month tenants.

The following is a profile of the maturities of the REIT's leases excluding the impact of tenant extension options at March 31, 2020:

	GLA	% of portfolio	Weighted average in place rent (per square foot) ¹
Month-to-month	62,685	0.9%	\$ 9.54
Remainder of 2020	479,730	6.9%	14.86
2021	380,956	5.5%	17.11
2022	898,927	13.0%	15.54
2023	403,769	5.8%	16.26
2024	457,726	6.6%	21.56
2025	874,991	12.6%	15.77
2026	305,013	4.4%	16.30
2027	505,473	7.3%	17.73
2028	354,302	5.1%	17.23
2029	371,284	5.4%	16.66
2030 and later	904,665	13.0%	24.23
Vacant	936,528	13.5%	
Total / weighted average	6,936,049	100.0%	\$ 17.77

¹The weighted average in place occupancy is based on in place rents for active expiries.

Lease Maturities



Throughout the remainder of 2020, 6.9% of the portfolio GLA is maturing and the REIT is focused on these expiries as well as a number of significant proposals in the markets in which it operates. The in place rent of the 2020 maturities is approximately 25% below market rent, providing significant upside opportunity for the REIT upon renewing and re-leasing this space. The REIT has completed approximately 91,000 square feet of new leasing which commences occupancy in 2020 at an average spread of 16.7% to in place rents.

Overall, management expects to continue a trend of positive rental spreads, increased occupancy, improved tenant quality and longer weighted-average lease term. The goal is to continue to drive organic growth in the portfolio and focus on creating meaningful per unit net asset value accretion.

IN PLACE AND MARKET RENTS

During the three months ended March 31, 2020 the REIT completed 304,571 square feet of leasing comprised of both new deals and renewals. The following table summarizes the REIT's leasing activity during the three months ended March 31, 2020:

	GLA	Number of leases	Weighted average expiring rent (per square foot)	Weighted average new rent (per square foot)	Increase in rent
Renewed leases	195,908	20	\$ 16.39	\$ 21.87	33.4%
New leases	108,663	11	19.86	24.12	21.5%
Total / weighted average	304,571	31	\$ 17.63	\$ 22.67	28.6%
Less: leases not renewed / vacated	(93,050)	(17)			
Net total	211,521	14			

During the quarter, on a weighted average basis, renewed and new leases were completed at a 33.4% and 21.5% increase to expiring rents or building in place rents, respectively.

The weighted-average in-place rent of the REIT's office portfolio at March 31, 2020 is \$17.77 per square foot. Management estimates the current weighted average market rate to be \$19.72 per square foot for the markets in which the REIT's office properties are located, 11.0% or \$1.95 per square foot higher than the REIT's current in place rental rates. This estimate of current market rent is based on management's estimates, third party valuations and leasing data obtained from actual new and renewed leasing activity. While there are no assurances that maturing leases will be renewed at rates in excess of current in place rents, or at all, management compares in place to market rents to determine the future revenue capacity of the REIT's current portfolio and roll-over revenue risk.

The following is a summary of the REIT's new and renewal leasing activity for the past five quarters:

Quarter	Renewals			New leases			Total	
	GLA	Number of leases	Rental spread	GLA	Number of leases	Rental spread	GLA	Number of leases
Q1 2019	157,788	27	10.4%	96,621	19	27.0%	254,409	46
Q2 2019	85,774	14	27.1%	63,452	15	17.2%	149,226	29
Q3 2019	72,127	21	18.6%	52,570	15	36.2%	124,697	36
Q4 2019	149,482	18	16.3%	41,412	9	5.9%	190,894	27
Q1 2020	195,908	20	33.4%	108,663	11	21.5%	304,571	31
Total	503,291	73	17.5%	266,097	50	20.7%	769,388	123

TENANT PROFILE

Management's strategy includes ensuring that the REIT's tenants are diversified and of high credit quality. A higher quality tenant base increases the stability of the REIT's income through economic cycles, which directly relates to their continued ability to meet their lease obligations to the REIT and continue to retain their workforce, which directly impacts their need for office space. The REIT has experienced the benefit of this high quality tenant base through the collection of April rents during the COVID-19 shut-downs in markets across the REIT's portfolio.

The following are the REIT's top 10 largest tenants by GLA at March 31, 2020, which together represent 41.9% of base rental receipts:

Tenant	Credit rating ¹	GLA	Number of properties	% of base rental receipts	Weighted average lease term (years)
SNC-Lavalin Inc. ²	BBB (low)	433,800	3	6.8%	4.8
Government of Canada	AAA	346,584	7	4.6%	4.5
CIBC	AA	339,679	4	7.4%	8.5
Province of New Brunswick	A+	314,435	5	3.4%	3.4
Thales Rail Signalling Solutions Inc.	A2	248,262	1	3.4%	4.9
Medavie Blue Cross	Unrated	199,358	4	3.1%	8.2
Bell Canada Enterprises	BBB	167,418	4	6.9%	6.8
Kraft Canada Inc.	BB+	156,426	1	2.3%	6.2
Johnson Insurance ³	A	154,018	1	2.1%	10.7
Province of Nova Scotia	AA-	145,034	1	1.9%	7.2
Total		2,505,014		41.9%	6.1

¹Source: DBRS, Moody's and S&P as at March 31, 2020.

²Includes 338,983 square feet of SNC-Lavalin Nuclear Inc.

³Johnson Insurance, part of RSA Canada, is a sub-tenant of Bell Canada and will take occupancy in the Johnson building on December 1, 2020.

The REIT's total exposure to the Government of Canada and provinces is approximately 1,011,000 square feet or 13.6% of base rent at share with a weighted average lease term of 5.7 years.

PROPERTY PROFILE

The REIT's property portfolio at March 31, 2020, comprises interests in 36 properties, comprised of 33 office properties and 3 non-office properties. The portfolio comprises 6.9 million square feet of GLA. Of the REIT's property portfolio, one of its office properties is currently classified as redevelopment. For a listing of all of the REIT's properties see PART VI of this MD&A.

Acquisition pipeline

The REIT currently has a significant pipeline of active opportunities in the cities in which we operate and in markets that are new to the REIT. While the number of opportunities is high, we will continue to be disciplined in our underwriting and pricing. We will not sacrifice long-term value creation for short-term income and accordingly do not pursue acquisitions that do not meet appropriate return expectations.

In pursuing acquisition properties, we have a bias towards opportunities with the following two characteristics:

- *Meaningful discount to replacement cost:* A property purchased well below replacement cost provides opportunity for investment in leasing or asset repositioning, with favourable economic returns to the REIT in excess of new build. We also believe that price per square foot, if at a meaningful discount to replacement cost, provides prudent downside protection while retaining significant opportunity to attract tenants on a competitive basis, especially when competing against new builds.
- *Opportunity for value creation:* We are focused on opportunities that will create value for unitholders. We are less focused on immediate accretion (i.e. the next quarter) and more focused on finding acquisitions that allow for significant equity creation over the medium term. Properties are attractive to us if they are located in a stable market, in good physical condition and have opportunities to drive value by moving existing rents to market rates and/or increase occupancy through focused leasing or repositioning.

Non-core office properties will often satisfy these two characteristics. In contrast to core assets, which often trade in excess of replacement cost with optimized tenancing, we believe that the risk-return profile of non-core assets remains attractive, and we will continue to seek the best opportunities.

The REIT provides the following update on the agreement announced on March 9, 2020 pursuant to which the REIT would acquire Cypress Financial Center in Fort Lauderdale, Florida for U.S.\$45.5 million, subject to customary closing conditions. This acquisition will not proceed as certain of the conditions to closing were not satisfied. Management, in consultation with the Board of Trustees, will continue to evaluate all capital allocation alternatives available to the REIT with a focus on maximizing returns for unitholders.

Redevelopment properties

Maritime Centre

Although not classified as a redevelopment property, the REIT has budgeted approximately \$16.5 million of return generating capital to significantly enhance Maritime Centre in downtown Halifax, Nova Scotia (www.maritimecentre.ca) which is expected to drive occupancy, rental rates and create a meaningful total return. The project converts the food court level to parking which is in high demand in downtown Halifax. This conversion will add more than 100 parking stalls to Maritime Centre. A new glass facade at the Barrington Street level will host a 6,000 square foot restaurant and a new lobby. Costs incurred are approximately \$6.5 million and the balance is expected to be incurred throughout 2020 and 2021. Approximately \$6.0 million of project costs can be amortized and recovered through the tenant leases while the balance is non-recoverable capital aimed at driving incremental returns. The redevelopment has enabled the REIT to drive rent growth by 26% and improve occupancy by 24% since acquisition. The expected return from this redevelopment is compelling and is a great example of the REIT re-deploying capital into its existing assets to drive out-sized returns.

2599 Speakman Drive

The REIT has classified 2599 Speakman Drive as a redevelopment property at March 31, 2020. 2599 Speakman Drive is one of five properties located in the Sheridan Business Park in Mississauga, ON in which the REIT owns a 100% interest. The GLA of 2599 Speakman Drive is 119,145 square feet. In the second quarter of 2019, the REIT entered into a lease agreement for 18,000 square feet at this property commencing in the fourth quarter of 2019 for a term of 5 years. In the first quarter of 2020 the REIT entered into a lease agreement for 40,100 square feet at this property with a government tenant for a term of 10 years. The REIT is continuing to engage in discussions with prospective tenants to lease the remainder of 2599 Speakman Drive.

IFRS fair value

The REIT's property portfolio at March 31, 2020 had an estimated IFRS fair value of \$1.6 billion, with a weighted average going-in capitalization rate of 6.01%, excluding parking lots and redevelopment properties. It is important to highlight that this capitalization rate reflects the current economics of the REIT's properties, including its 86.5% in place occupancy which includes its redevelopment assets and current weighted average in place rents of \$17.77 per square foot, which management estimates to be on average \$1.95 per square foot below estimated market rents. The capitalization rate on the REIT's properties is based on management's estimate of twelve-month forward net operating income or in certain cases stabilized net operating income. Various properties within the REIT's portfolio are either vacant, or significantly below normalized occupancy, and certain of which are expected to be so for all or a portion of the next twelve-month period.

Overall, the average estimated IFRS fair value per square foot of the REIT's portfolio excluding the Data Centre and Delta Brunswick Hotel is \$248 with an average cost to the REIT of \$232 per square foot. Management believes that this average value per square foot is significantly lower than replacement cost, which management estimates to be on average between \$300 and \$400 per square foot. In certain markets, such as St. John's, NL, the cost to construct is significantly higher. Furthermore, the difference between the IFRS fair value per square foot of \$248 compared to an average cost to the REIT of \$232 per square foot represents approximately \$100 million of value creation from ownership, based on the REIT's current portfolio.

The following table presents a summary of the discount and terminal capitalization rates for the fair value of the REIT's properties:

	March 31, 2020		December 31, 2019	
	Discount rate	Terminal capitalization rate	Discount rate	Terminal capitalization rate
Minimum	6.25 %	6.00 %	6.25 %	6.00 %
Maximum	8.75 %	8.25 %	8.75 %	8.25 %
Weighted average	7.28 %	6.69 %	7.27 %	6.69 %

The fair value of properties are measured individually without consideration to their aggregate value on a portfolio basis. No consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or to the utilization of a common management platform, amongst other benefits. As a result, the fair value of the REIT's properties taken in aggregate may differ from the fair value of properties measured individually in the REIT's consolidated statements of financial position. The maximum discount rate in the REIT's portfolio was 8.75 % at March 31, 2020, consistent with December 31, 2019.

For the three month period ended March 31, 2020 the REIT recognized a gain on fair value of investment property of \$2.9 million. This is a result of third party appraisals, capital expenditures and leases completed at certain of the REIT's properties during the three month period ended March 31, 2020 and appreciation in the US dollar compared to the Canadian dollar at March 31, 2020 compared to December 31, 2019, increasing the REIT's U.S. property value by \$30.2 million for the three month period ended March 31, 2020, offset by revised timing of speculative leasing due to COVID-19.

Property continuity

A continuity of the REIT's property interests is summarized below:

	Three months ended March 31,	
	2020	2019
Balance, beginning of period	\$ 1,622,085	\$ 1,780,413
Acquisitions ¹	—	—
Capital expenditures	5,652	3,781
Direct leasing costs	2,953	13,726
Dispositions	(46,794)	—
Depreciation of hotel asset	(262)	(239)
Foreign exchange	30,191	(6,693)
Change in fair value	2,929	6,243
IFRIC 21 property tax adjustment ²	(7,169)	(7,097)
Straight-line rent and other changes	(947)	(350)
Balance, end of period	\$ 1,608,638	\$ 1,789,784

¹Acquisitions represents the total purchase price and costs of acquisition.

²In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO, Core-FFO or AFFO.

Capital expenditures are incurred by the REIT for maintaining or improving its properties. Certain leases provide the ability to recover all or a portion of these costs from tenants over time. Direct leasing costs generally include tenant improvement construction costs related to new and renewal leasing. The change in carrying value of the REIT's properties during the three month period ended March 31, 2020 is primarily a result of fair value increases from third party appraisals, accretive capital and leasing expenditures and the US dollar appreciation in comparison to the Canadian dollar at March 31, 2020 compared to December 31, 2019, offset by revised timing of speculative leasing as a result of COVID-19 shut downs.

PART III - RESULTS OF OPERATIONS

SUMMARY OF RESULTS OF OPERATIONS

The following is a summary of the results of operations:

	Three months ended March 31,	
	2020	2019
Rental revenue	\$ 49,694	\$ 57,200
Property operating expenses	(34,815)	(37,604)
Finance income on finance lease receivable	879	918
Interest income	164	112
Interest and finance costs	(10,322)	(13,454)
General and administrative	(1,984)	(1,938)
Change in fair value of properties	2,929	6,243
Change in fair value of financial instruments	(31,860)	(3,334)
Disposition costs	(419)	(349)
Depreciation of hotel asset	(262)	(239)
Deferred income tax recovery (expense)	96	(59)
Net (loss) income before Class B LP units	\$ (25,900)	\$ 7,496
Change in fair value of Class B LP units	11,522	(740)
Distributions to Class B LP unitholders	(528)	(837)
Net (loss) income	\$ (14,906)	\$ 5,919
Other comprehensive income (loss) to be subsequently reclassified to profit or loss:		
Foreign currency translation gain (loss)	11,185	(2,501)
Fair value (loss) gain on net investment hedges	(6,396)	1,822
Total other comprehensive income (loss)	4,789	(679)
Comprehensive (loss) income	\$ (10,117)	\$ 5,240

NET (LOSS) INCOME BEFORE CLASS B LP UNITS

Net (loss) income before Class B LP units is an additional IFRS measure that represents the change in net (loss) income, before the impact of fair value adjustments to Class B LP units and distributions to Class B LP unitholders recorded in net (loss) income. Management uses and believes that this metric is valuable to users to evaluate net (loss) income prior to all residual equity holders, as the Class B LP units are exchangeable into REIT units and are in all material respects economically equivalent to REIT units.

Net (loss) income before Class B LP units for the three months ended March 31, 2020 when compared to the same period in 2019 decreased by \$33.4 million primarily due to lower property NOI and a decrease in the fair value of financial instruments which includes interest rate hedges. In addition, the gain on fair value of investment properties is lower compared to the same period in 2019 as the REIT has revised the timing of its speculative leasing which decreased value. This was offset by U.S. dollar appreciation compared to the Canadian dollar at March 31, 2020 which increased the IFRS fair value of the REIT's U.S. assets. The REIT also incurred \$0.4 million of disposition costs on the sale of 4211 Yonge Street in Toronto, ON in January 2020. Interest expense also decreased compared to the same period in 2019 from the repayment of debt on asset dispositions throughout 2019 and in January 2020.

NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME

For the three month period ended March 31, 2020 net loss was \$14.9 million compared to net income of \$5.9 million for the same period in the prior year. The decrease is due to a net loss before Class B LP Units of \$25.9 million for the three month period ended March 31, 2020, offset by a gain on the fair value of Class B LP units of \$11.5 million for the three month period ended March 31, 2020 compared to a gain of \$0.7 million in the same period in the prior year and lower distributions to Class B LP unitholders. As a result of the REIT's acquisition of 20 South Clark and 120 South LaSalle in Chicago, IL, the REIT recognized net other comprehensive income of \$4.8 million related to a gain on the foreign exchange impact from the REIT's exposure to U.S. cashflows in the properties offset by a loss on the hedge of the REIT's net investment in U.S. operations.

NET OPERATING INCOME

Net operating income is a non-IFRS measure and is defined by the REIT as rental revenue, excluding non-cash straight-line rent and leasing costs amortized to revenue, less property operating costs prior to IFRIC 21, *Levies* ("IFRIC 21") adjustments. Rental revenue for purposes of measuring NOI excludes revenue recorded as a result of determining rent on a straight-line basis and the amortization of leasing costs in revenue for IFRS, which management believes better reflects the cash generation activity of the REIT's properties. NOI is an important measure of the income generated from the REIT's properties and is used by the REIT in evaluating the performance of its properties.

The following is a calculation of NOI for the three month period ended March 31, 2020 and 2019:

	Three months ended March 31,	
	2020	2019
Revenue	\$ 49,694	\$ 57,200
Property operating expenses	(34,815)	(37,604)
IFRIC 21 property tax adjustment ¹	7,169	7,097
Straight-line rents and other changes	947	350
Net operating income	\$ 22,995	\$ 27,043

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

For the three months ended March 31, 2020, NOI decreased to \$23.0 million from \$27.0 million for the same period in the prior year. The decrease is a result of the disposition of a 25% interest in six assets in the Greater Toronto Area in April 2019, 895 and 1000 Waverley in June 2019, 225 Duncan Mill Road in Toronto, ON in July 2019, 5500 North Service Road in Burlington, ON in November 2019 and 4211 Yonge Street in January 2020.

The following is a reconciliation of the change in NOI for the three months ended March 31, 2020 compared to the same period in the prior year:

Net operating income, Q1 2019	\$	27,043
Change in same-property NOI		(761)
Impact of foreign exchange rates		53
Reduced contribution from sold properties		(3,340)
Net operating income, Q1 2020	\$	22,995
Year-over-year change - \$	\$	(4,048)
Year-over-year change - %		(15.0)%

The following is a reconciliation of the change in NOI for the three months ended March 31, 2020 compared to the immediately preceding quarter:

Net operating income, Q4 2019	\$	24,174
Change in same-property NOI		(390)
Impact of foreign exchange rates		85
Change in hotel contribution ¹		(475)
Reduced contribution from sold properties		(399)
Net operating income, Q1 2020	\$	22,995
Quarter-over-quarter change - \$	\$	(1,179)
Quarter-over-quarter change - %		(4.9)%

¹Contribution from the REIT's hotel is not included in same property changes when compared to the preceding quarter due to the seasonality of its contribution to NOI.

The REIT's same-property NOI decreased \$0.4 million from the previous quarter, offset by the disposition of 5500 North Service Road in Burlington, ON in November 2019 and 4211 Yonge Street in Toronto, ON in January 2020 which contributed \$0.4 million to the decrease in addition to a decrease in NOI contribution from the REIT's hotel asset of \$0.5 million due to seasonality.

SAME-PROPERTY NOI

Same-property NOI is a non-IFRS measure and is defined by the REIT as rental revenue, excluding non-cash straight-line rent, less property operating costs for those properties owned by the REIT for all of the current period and the relevant comparative period, reported at the REIT's proportionate ownership. Other than on a year-over-year basis, same property NOI excludes the earnings attributable to the REIT's hotel asset due to the seasonality of that asset. Same-property NOI is an important measure of the income generated from the REIT's properties period-

over-period, but without consideration of acquisition and disposition activity, and is used by the REIT in evaluating the performance of its properties. The REIT seeks to increase or maintain same-property NOI through high-occupancy, increasing rents on renewal to market rents and by signing leases with embedded rent increases throughout the term of the lease.

Management compares same-property NOI for the current quarter to the immediately preceding quarter and to the same quarter in the preceding year.

Same-property NOI: comparison of the current quarter to the same quarter in the prior year

The same-property NOI comparison for the three months ended March 31, 2020 excludes assets disposed of prior to March 31, 2020 including a 25% interest in six assets in Toronto, ON partially disposed of in April 2019 which have been included at 75% of property NOI in each comparative period where wholly-owned for all or a portion of the relevant period. The operations of the REIT's hotel asset are included when comparing to the prior year as the seasonal variations are consistent.

	Three months ended	
	March 31, 2020	March 31, 2019
Number of properties	36	36
GLA ¹	6,936,049	6,936,049
Revenue	\$ 49,285	\$ 49,983
Operating expenses	(34,580)	(33,800)
IFRIC 21 property tax adjustment	7,169	7,097
Straight-line rents and other changes	957	259
Same-property NOI (including hotel asset)	\$ 22,831	\$ 23,539
Period-over-period change - \$	\$ (708)	
Period-over-period change - %	(3.0)%	

¹Gross leasable area is presented at 100% of the building's GLA, without taking ownership percentage into consideration.

Same-property NOI for the three months ended March 31, 2020 compared to the same period in 2019 decreased by \$0.7 million or 3.0%. The decrease is the result of a decrease of \$0.3 million at the REIT's hotel asset and known net vacancies throughout the REIT's Atlantic Canada and Ontario assets for the three months ended March 31, 2020 compared to the same period in 2019.

The REIT has experienced year-over-year same-property NOI growth in six quarters since the beginning of 2018. The following is a history of the REIT's year-over-year same-property NOI changes:

	Three months ended							
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Number of properties	36	37	37	38	32	32	34	33
GLA ¹	6,936,049	7,113,814	6,679,828	6,835,104	5,545,552	5,545,479	5,839,915	4,928,372
Same-property NOI change - \$	\$ (708)	\$ (70)	\$ (390)	\$ 351	\$ 899	\$ 2,571	\$ 2,418	\$ 1,729
Same-property NOI change - %	(3.0)%	(0.3)%	(1.7)%	1.6%	4.9%	14.5%	13.0%	11.7%

¹Gross leasable area is presented at 100% of the building's GLA, without taking ownership percentage into consideration.

Same-property NOI: comparison of the current quarter to the preceding quarter

The same-property NOI comparison to the three months ended December 31, 2019 excludes the impact of properties disposed of prior to March 31, 2020. This includes 4211 Yonge Street in Toronto, ON, 5500 North Service Road in Burlington, ON and a 25% interest in six assets in Toronto, ON partially disposed of in April 2019 which have been included at 75% of property NOI in each comparative period where wholly-owned for all or a portion of the relevant period. The comparison also excludes the impact of the REIT's hotel asset due to the seasonality of its earnings and contribution to NOI.

	Three months ended	
	March 31, 2020	December 31, 2019
Number of properties	36	36
GLA ¹	6,936,049	6,936,049
Revenue	\$ 49,285	\$ 49,962
Property operating expenses	(34,580)	(34,408)
IFRIC 21 property tax adjustment	7,169	7,097
Straight-line rents and other changes	957	960
Same-property NOI (including hotel asset)	22,831	23,611
NOI attributable to hotel asset	129	(346)
Same-property NOI (excluding hotel asset)	\$ 22,960	\$ 23,265
Quarter-over-quarter change - \$	\$ (305)	
Quarter-over-quarter change - %	(1.3)%	

¹Gross leasable area is presented at 100% of the building's GLA, without taking ownership percentage into consideration.

Same-property NOI, excluding the REIT's hotel asset, for the three months ended March 31, 2020 compared to the most recently completed quarter, decreased by \$0.3 million. The decrease in same-property NOI is caused primarily by known vacancies in the REIT's Ontario and Atlantic Canada portfolios.

Looking forward, renewal spreads are expected to be strong as the current in place rent is an estimated 9.9% below market. The REIT's portfolio has vacancies throughout 2020 of 6.9% of its portfolio GLA with expiring rents estimated to be 25% below market rents. The REIT is actively managing to execute new or renewed leases and is in renewal discussions with most major tenants with upcoming expiries. The REIT has completed approximately 91,000 square feet of new leasing which commences occupancy in 2020 at an average spread of 16.7% to in place rents.

FUNDS FROM OPERATIONS

Funds from operations

Funds from operations ("FFO") is a non-IFRS measure for evaluating real estate operating performance. The REIT calculates FFO in accordance with the definition provided by the Real Property Association of Canada ("RealPAC") in its White Paper on Funds From Operations, as revised in February 2019.

Core-FFO

Core-FFO is a non-IFRS measure which makes certain adjustments to the REIT's calculation of FFO to recognize the REIT's share of lease payments received for its Data Centre asset, which for IFRS purposes is accounted for as a finance lease.

Reconciliation of FFO and Core-FFO

Management believes that FFO and Core-FFO are important measures of the operating performance and are used by the REIT in evaluating the combined performance of its operations including the impact of its capital structure and are useful for investors to evaluate the performance of the REIT.

The following is a reconciliation of FFO and Core-FFO from cash flow from operating activities:

	Three months ended March 31,	
	2020	2019
Cash flow from operating activities	\$ 7,774	\$ 19,985
Add (deduct):		
Leasing costs amortized to revenue	1,623	1,212
Disposition costs	419	349
Working capital items	3,623	(7,887)
Straight-line rent and other changes	(947)	(350)
Interest and other finance costs	(10,322)	(13,454)
Interest paid	9,710	12,697
Distributions paid to Class B unitholders	528	991
FFO	\$ 12,408	\$ 13,543
Finance income on finance lease receivable	(879)	(918)
Finance lease payments received	1,525	1,525
Core-FFO	\$ 13,054	\$ 14,150

The following is a reconciliation of FFO and Core-FFO from net (loss) income:

	Three months ended March 31,	
	2020	2019
Net (loss) income	\$ (14,906)	\$ 5,919
Add (deduct):		
Leasing costs amortized to revenue	1,623	1,212
Change in fair value of properties	(2,929)	(6,243)
IFRIC 21 property tax adjustment ¹	7,169	7,097
Change in fair value of financial instruments	31,860	3,334
Disposition costs	419	349
Depreciation of hotel asset	262	239
Deferred income tax (recovery) expense	(96)	59
Change in fair value of Class B LP units	(11,522)	740
Distributions to Class B unitholders	528	837
FFO	\$ 12,408	\$ 13,543
Finance income on finance lease receivable	(879)	(918)
Finance lease payments received	1,525	1,525
Core-FFO	\$ 13,054	\$ 14,150
Weighted average number of units outstanding ²	73,278	75,247
FFO per unit (diluted)	\$ 0.17	\$ 0.18
Core-FFO per unit (diluted)	\$ 0.18	\$ 0.19

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

²Represents the diluted weighted average number of units outstanding and includes the weighted average outstanding of all REIT units, DUP units and Class B LP units.

The following is a calculation of FFO and Core-FFO from the REIT's consolidated financial statements:

	Three months ended March 31,	
	2020	2019
Rental revenue	\$ 49,694	\$ 57,200
Property operating expenses	(34,815)	(37,604)
Finance income on finance lease receivable	879	918
Interest income	164	112
Interest and finance costs	(10,322)	(13,454)
General and administrative	(1,984)	(1,938)
IFRIC 21 property tax adjustment ¹	7,169	7,097
Leasing costs amortized to revenue	1,623	1,212
FFO	\$ 12,408	\$ 13,543
Finance income on finance lease receivable	(879)	(918)
Finance lease payments received	1,525	1,525
Core-FFO	\$ 13,054	\$ 14,150
Weighted average number of units outstanding ²	73,278	75,247
FFO per unit (diluted)	\$ 0.17	\$ 0.18
Core-FFO per unit (diluted)	\$ 0.18	\$ 0.19

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

²Represents the diluted weighted average number of units outstanding and includes the weighted average outstanding of all REIT units, DUP units and Class B LP units.

FFO for the three months ended March 31, 2020 was \$12.4 million and \$13.5 million for the three months ended March 31, 2019. FFO decreased year-over-year and is impacted by the disposition of 5500 North Service Road in Burlington, ON in November 2019, 225 Duncan Mill Road in Toronto, ON in July 2019, 895 and 1000 Waverley in Winnipeg, MB in June 2019, a 25% interest in six office assets in the Greater Toronto Area in April 2019 and 4211 Yonge Street in Toronto, ON in January 2020. The decrease in NOI is offset by lower interest costs on debt repayment from disposition proceeds.

Core-FFO decreased to \$13.1 million for the three months ended March 31, 2020 from \$14.2 million compared to the prior year for the same reasons as described for FFO.

ADJUSTED FUNDS FROM OPERATIONS

Adjusted FFO ("AFFO") is a non-IFRS measure that is used by management of the REIT, certain of the real estate industry and investors to measure the cash flows generated from operations including certain capital costs, leasing costs, tenant improvements and the impact of non-cash revenue. It is a meaningful measure used to evaluate the extent of cash available for distribution to unitholders. The REIT's use and calculation of AFFO may be different than the use or as disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others.

In calculating AFFO, the REIT makes adjustments to FFO for certain items including: guaranteed income supplements; amortization of deferred transaction costs; de-recognition and amortization of mark-to-market adjustments on mortgages refinanced or discharged; adjustments for interest rate subsidies received; recognition of the REIT's share of lease payments received for its Data Centre asset, which for IFRS purposes is accounted for as a finance lease; amortization of straight-line rent; and normalized direct leasing and capital costs.

Guaranteed income supplements are cash amounts received from vendors or properties acquired by the REIT that are not recognized in income. Such amounts were negotiated between the REIT and certain vendors to compensate the REIT for lost income related to free rent periods and/or vacancies. The REIT was provided an income supplement in the aggregate amount of \$2.4 million to be received in equal quarterly installments in each of the eight calendar quarters following the acquisition of a seven asset portfolio in the Greater Toronto Area and Atlantic Canada from Slate Canadian Real Estate Opportunity Fund I L.P. ("SCREO I L.P."). The income supplement from SCREO I L.P. is recorded as an other asset on the consolidated statements of financial position and initially measured at its present value. The REIT recognizes interest income related to the difference between the present value on acquisition and the \$2.4 million principal amount which was received in full as of March 31, 2020. Accordingly, the REIT recognizes in AFFO the cash portion received in excess of any amount already included in net income. Also in conjunction with the seven asset portfolio, the REIT entered into a one-year head lease with Cominar REIT whereby Cominar REIT provided payments to the REIT to compensate it for the existing vacancy to the extent the REIT did not otherwise re-lease the vacant space at 225 Duncan Mill Road in Toronto, ON which was disposed of in July 2019. The maximum receivable from Cominar REIT was approximately \$3.2 million. Amounts received under the head lease arrangement are not recognized in AFFO for the three months ended March 31, 2019.

Amortization of deferred transaction costs are costs incurred to obtain debt financing that are recorded in net income, generally, on a systematic basis over the life of the debt to which they relate. The REIT deducts these amounts in determining AFFO as they represent non-cash charges to net income in the current period. Amortization of mark-to-market adjustments are differences between debt assumed in conjunction with a

property acquisition and the fair value of the debt on assumption that are recorded in net income, generally, on a systematic basis over the life of the debt to which they relate. The REIT deducts or adds, as applicable, these amounts in determining AFFO as they represent non-cash charges to net income.

The interest rate subsidy is an amount received monthly by the REIT from a vendor of a property acquired by the REIT, to the extent not otherwise recognized in net income. Such amount was negotiated between the REIT and a vendor to compensate the REIT, in part, for assuming debt in conjunction with a property acquisition that was unfavorable to debt that could otherwise have been obtained by the REIT had the vendor made the property available to be purchased on a 'free-and-clear' basis. The REIT adds this amount in determining AFFO as it represents cash received by the REIT not otherwise recognized in net income.

Normalized direct leasing and capital costs are determined as 10% of the net of rental revenue less property operating expenses and represents the normalized on-going costs required to maintain existing space of a stabilized property. Actual amounts will vary from period to period depending on various factors, including but not limited to, the timing of expenditures made and contractual lease obligations.

The method applied by the REIT to calculate AFFO may differ from methods applied by other issuers in the real estate industry and differs from the definition of AFFO as defined by RealPAC in its White Paper, as issued in February 2019.

The following table reconciles AFFO from cash flow from operating activities:

	Three months ended March 31,	
	2020	2019
Cash flow from operating activities	\$ 7,774	\$ 19,985
Add (deduct):		
Working capital items	3,623	(7,887)
Principal repayments on finance lease receivable	646	607
Distributions paid to Class B LP unitholders	528	991
Disposition costs	419	349
Interest rate subsidy	108	108
Guaranteed income supplements	296	282
Normalized direct leasing and capital costs	(2,205)	(2,669)
AFFO	\$ 11,189	\$ 11,766

The following table reconciles AFFO from NOI:

	Three months ended March 31,	
	2020	2019
Net operating income	\$ 22,995	\$ 27,043
Add (deduct):		
General and administrative	(1,984)	(1,938)
Finance lease payments received	1,525	1,525
Cash interest	(9,546)	(12,585)
Interest rate subsidy	108	108
Guaranteed income supplements	296	282
Normalized direct leasing and capital costs	(2,205)	(2,669)
AFFO	\$ 11,189	\$ 11,766

A reconciliation of Core-FFO to AFFO is as follows:

	Three months ended March 31,	
	2020	2019
Core-FFO	\$ 13,054	\$ 14,150
Add (deduct):		
Amortization of deferred transaction costs	670	854
Amortization of debt mark-to-market adjustments	(58)	(97)
Amortization of straight-line rent	(676)	(862)
Interest rate subsidy	108	108
Guaranteed income supplements	296	282
Normalized direct leasing and capital costs	(2,205)	(2,669)
AFFO	\$ 11,189	\$ 11,766
Weighted average number of units outstanding ¹	73,278	75,247
AFFO per unit (diluted)	\$ 0.15	\$ 0.16

¹Represents the diluted weighted average number of units outstanding and includes the weighted average outstanding of all REIT units, DUP units and Class B LP units.

For the three months ended March 31, 2020, AFFO was \$11.2 million or \$0.15 per unit, whereas AFFO for the same period in 2019 was \$11.8 million or \$0.16 per unit, representing a decrease of \$0.6 million or \$0.01 on a per unit basis. NOI and cash interest have decreased from debt repayment on various asset dispositions including 5500 North Service Road in Burlington, ON in November 2019, 225 Duncan Mill Road in Toronto, ON in July 2019, 895 and 1000 Waverley in Winnipeg, MB in June 2019 and the 25% interest in six office assets in the Greater Toronto Area in April 2019 and 4211 Yonge Street in Toronto, ON in January 2020.

Reconciliation of FFO, Core-FFO and AFFO

A reconciliation of net (loss) income to FFO, Core-FFO and AFFO is as follows:

	Three months ended March 31,	
	2020	2019
Net (loss) income	\$ (14,906)	\$ 5,919
Add (deduct):		
Leasing costs amortized to revenue	1,623	1,212
Change in fair value of properties	(2,929)	(6,243)
IFRIC 21 property tax adjustment ¹	7,169	7,097
Change in fair value of financial instruments	31,860	3,334
Disposition costs	419	349
Depreciation of hotel asset	262	239
Deferred income tax (recovery) expense	(96)	59
Change in fair value of Class B LP units	(11,522)	740
Distributions to Class B unitholders	528	837
FFO	12,408	13,543
Finance income on finance lease receivable	(879)	(918)
Finance lease payments received	1,525	1,525
Core-FFO	13,054	14,150
Amortization of deferred transaction costs	670	854
Amortization of debt mark-to-market adjustments	(58)	(97)
Amortization of straight-line rent	(676)	(862)
Interest rate subsidy	108	108
Guaranteed income supplements	296	282
Normalized direct leasing and capital costs	(2,205)	(2,669)
AFFO	\$ 11,189	\$ 11,766

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

The following is FFO, Core-FFO and AFFO expressed on a per unit basis:

	Three months ended March 31,	
	2020	2019
FFO per unit (diluted)	\$ 0.17	\$ 0.18
Core FFO per unit (diluted)	0.18	0.19
AFFO per unit (diluted)	\$ 0.15	\$ 0.16

DISTRIBUTIONS

The REIT pays monthly distributions to unitholders which are also paid at the same rate to holders of the REIT's Class B LP units. Distributions are paid on or about the 15th day of the month following declaration.

The Board of Trustees continually evaluates the distribution policy of the REIT in consideration of various factors. These factors generally include the REIT's available liquidity to fund distributions, the asset allocation alternatives available to the REIT including acquisitions and their impact, the interest rate environment, the REIT's cost of capital and the expected future cash flows to be generated by the REIT in consideration of the REIT's future cash flow needs, which include funding value add redevelopment opportunities, leasing costs and other capital. Based on these factors the Board of Trustees of the REIT may determine a modification of the REIT's distribution to be beneficial to the REIT.

The REIT has a distribution reinvestment plan ("DRIP"), where eligible unitholders, which include holders of Class B LP units, that elect to participate in the DRIP will have their cash distributions used to purchase trust units of the REIT. The distributions declared during the three months ended March 31, 2019 resulted in 82,894 trust units issued under the DRIP. On May 3, 2019 the REIT's Board of Trustees approved the suspension of the REIT's DRIP commencing with the May 2019 distribution to be paid in June 2019. Management of the REIT believes this is a prudent capital allocation strategy that will retain value for unitholders.

The following table summarizes distributions made during the three months ended March 31, 2020 and 2019 to unitholders of the REIT and Class B LP unitholders:

	Three months ended March 31, 2020			Three months ended March 31, 2019		
	Class B			Class B		
	Trust units	LP units	Total	Trust units	LP units	Total
Distributions declared	\$ 6,777	\$ 528	\$ 7,305	\$ 11,053	\$ 837	\$ 11,890
Distributions reinvested in trust units	—	—	—	476	—	476
Distributions, net of DRIP	\$ 6,777	\$ 528	\$ 7,305	\$ 10,577	\$ 837	\$ 11,414

Cash flow from operating activities for the three month period ended March 31, 2020 was \$7.8 million which is higher than distributions declared to unitholders of the REIT of \$6.8 million. When distributions are more than cash flow from operating activities the REIT finances such amounts from cash on hand and/or borrowings and represent a return of capital.

Taxation of distributions

The REIT qualifies as a "mutual fund trust" under the Income Tax Act (Canada) (the "Tax Act"). For taxable Canadian resident REIT unitholders, the REIT's distributions are treated as follows for tax purposes over the four most recent years:

Taxation year	Return of capital	Capital gains	Other income
2019 per \$ of distribution	77.0%	23.0%	—
2018 per \$ of distribution	100.0%	—	—
2017 per \$ of distribution	100.0%	—	—
2016 per \$ of distribution	90.2%	3.8%	6.0%

Of the distributions received by unitholders in 2019, 23.0% were treated as capital gains and 77.0% were treated as return of capital due to the impact of capital gains and depreciation recapture on asset sales and modification of the REIT's distribution to \$0.40 annually. For 2018 and 2017, 100.0% of the distributions received by unitholders were treated as a return of capital for taxation purposes compared to 90.2% in 2016, resulting in a meaningful deferral of the taxation of returns being provided.

FFO, CORE-FFO AND AFFO PAYOUT RATIOS

FFO, Core-FFO and AFFO payout ratios (the "payout ratios") are non-IFRS measures that provide a comparison of the distributions made by the REIT to unitholders compared to FFO, Core-FFO and AFFO generated by the REIT. Management uses these measures to evaluate the REIT's ability to sustain its distributions. The payout ratios are calculated by dividing aggregate distributions made in respect of units of the REIT and Class B LP units by FFO, Core-FFO and AFFO during the period of measurement.

One of the REIT's objectives is to provide a distribution over time that is appropriate in consideration of the REIT's available liquidity to fund distributions, the asset allocation alternatives available to the REIT, the estimated impact on the trading price of the REIT's trust units and the expected future cash flows to be generated by the REIT in consideration of the REIT's future cash flow needs. To the extent these factors change, the Board of Trustees of the REIT will consider adjustments to its distribution policy.

The REIT's AFFO payout ratio for the three months ended March 31, 2020 was 65.3% which the REIT believes to be sustainable and looks to maintain current distribution rates to provide consistent returns to unitholders while providing sufficient cashflow for the REIT to reinvest in the growth of its portfolio.

The table below illustrates the REIT's cash flow capacity, based on FFO, in comparison to its cash distributions:

	Three months ended March 31,	
	2020	2019
FFO	\$ 12,408	\$ 13,543
REIT unit and Class B LP distributions declared	7,305	11,890
Excess of FFO over distributions declared	5,103	1,653
Cash retained from DRIP	—	476
Excess of FFO over cash distributions	\$ 5,103	\$ 2,129
FFO payout ratio	58.9%	87.8%
FFO payout ratio after DRIP ¹	58.9%	84.3%

¹Impact after DRIP represents actual DRIP levels during the period.

The table below illustrates the REIT's cash flow capacity, based on Core-FFO, in comparison to its cash distributions:

	Three months ended March 31,	
	2020	2019
Core-FFO	\$ 13,054	\$ 14,150
REIT unit and Class B LP distributions declared	7,305	11,890
Excess of Core-FFO over distributions declared	5,749	2,260
Cash retained from DRIP	—	476
Excess of Core-FFO over cash distributions	\$ 5,749	\$ 2,736
Core-FFO payout ratio	56.0%	84.0%
Core-FFO payout ratio after DRIP¹	56.0%	80.7%

¹Impact after DRIP represents actual DRIP levels during the period.

The table below illustrates the REIT's cash flow capacity, based on AFFO, in comparison to its cash distributions:

	Three months ended March 31,	
	2020	2019
AFFO	\$ 11,189	\$ 11,766
REIT unit and Class B LP distributions declared	7,305	11,890
Excess/ (shortfall) of AFFO over distributions declared	3,884	(124)
Cash retained from DRIP	—	476
Excess/ (shortfall) of AFFO over cash distributions	\$ 3,884	\$ 352
AFFO payout ratio	65.3%	101.1%
AFFO payout ratio after DRIP¹	65.3%	97.0%

¹Impact after DRIP represents actual DRIP levels during the period.

The FFO, Core-FFO and AFFO pay-out ratios have improved for the three month period ended March 31, 2020 compared to the same period in 2019 resulting from the revision of the REIT's distribution to \$0.40 annually from \$0.75 beginning with the REIT's March 2019 distribution.

SEGMENTED INFORMATION

The REIT has NOI from four geographic locations. The following is the REIT's NOI by geographic region:

	Three months ended March 31,			
	2020		2019	
	NOI	Percentage (%)	NOI	Percentage (%)
Atlantic	\$ 8,139	35.4%	\$ 9,043	33.4%
Ontario	8,826	38.4%	11,532	42.6%
Western	1,331	5.8%	1,637	6.1%
U.S.	4,699	20.4%	4,831	17.9%
Total	\$ 22,995	100.0%	\$ 27,043	100.0%

	Three months ended March 31,	
	2020	2019
Atlantic		
# of properties	14	14
Owned GLA (000s of square feet)	2,634	2,643
Occupancy rate (%) (period-end)	82.0%	87.2%
Revenue	\$ 19,115	\$ 20,466
Property operating expenses	(11,593)	(11,748)
Straight-line rent and other changes	617	325
NOI	\$ 8,139	\$ 9,043

NOI for the Atlantic properties decreased by \$0.9 million for the three month period ended March 31, 2020 compared to the same period in 2019. The decrease is a result of certain known tenant vacancies in the second and third quarter of 2019. Approximately 41,000 square feet was vacated in the second quarter of 2019 and approximately 147,000 square feet was vacated in the third quarter of 2019 which decreased NOI compared to the three months ended March 31, 2019.

Ontario	Three months ended March 31,	
	2020	2019
# of properties	12	15
Owned GLA (000s of square feet)	2,750	3,294
Occupancy rate (%) (period-end)	90.2%	88.0%
Revenue	\$ 17,215	\$ 23,007
Property operating expenses	(8,652)	(11,618)
Straight-line rent and other changes	263	143
NOI	\$ 8,826	\$ 11,532

NOI for the three months ended March 31, 2020 was \$8.8 million compared to NOI of \$11.5 million for the three month period ended March 31, 2019, representing a decrease of \$2.7 million year-over-year. The decrease in NOI is a result of the disposition of 4211 Yonge Street in Toronto, ON in January 2020, 5500 North Service Road in Burlington, ON in November 2019, 225 Duncan Mill Road in Toronto, ON in July 2019 and a 25% interest in six office assets in the Greater Toronto Area on April 12, 2019.

Western	Three months ended March 31,	
	2020	2019
# of properties	8	10
Owned GLA (000s of square feet)	514	608
Occupancy rate (%) (period-end)	92.3%	91.5%
Revenue	\$ 2,745	\$ 3,172
Property operating expenses	(1,434)	(1,552)
Straight-line rent and other changes	20	17
NOI	\$ 1,331	\$ 1,637
NOI from Data Centre	1,525	1,525
NOI including Data Centre	\$ 2,856	\$ 3,162

NOI for the three months ended March 31, 2020 was \$2.9 million including the income from the Data Centre, a decrease of \$0.3 million over the comparable period from the disposition of 895 and 1000 Waverley in Winnipeg, MB in June 2019. The Data Centre is accounted for as a finance lease and corresponding interest income is recorded below NOI and principal repayments reduce the balance of the lease receivable.

United States	Three months ended March 31,	
	2020	2019
# of properties	2	2
Owned GLA (000s of square feet)	1,038	1,038
Occupancy rate (%) (period-end)	85.3%	85.8%
Revenue	\$ 10,619	\$ 10,555
Property operating expenses	(13,136)	(12,686)
IFRIC 21 property tax adjustment ¹	7,169	7,097
Straight-line rent and other changes	47	(135)
NOI	\$ 4,699	\$ 4,831

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

NOI for the three months ended March 31, 2020 was \$4.7 million which is a decrease of \$0.1 million compared to the same period in 2019. The decrease is a result of numerous tenant abatements and free rent periods for the three months ended March 31, 2020 as a result of recently completed leasing.

REVENUE

Revenue from properties includes rent from tenants under lease agreements, straight-line rental income, percentage rents, property taxes and operating cost recoveries, parking revenue and other incidental income. The following is a summary of the components of revenue:

	Three months ended March 31,	
	2020	2019
Property base rent ¹	\$ 23,784	\$ 28,432
Operating cost recoveries	17,059	18,289
Tax recoveries	8,005	8,725
Hotel	1,793	2,104
Straight-line adjustments and other	(947)	(350)
	\$ 49,694	\$ 57,200

¹Includes parking revenue earned at properties.

For the three months ended March 31, 2020, revenue from properties was \$49.7 million, lower than \$57.2 million for the same period in 2019. The decrease from prior period is a result of the disposition of 4211 Yonge Street in Toronto, ON in January 2020, 5500 North Service Road in Burlington, ON in November 2019, 225 Duncan Mill Road in Toronto, ON in July 2019, 895 and 1000 Waverley in June 2019 and a 25% interest in six office assets in the Greater Toronto Area in April 2019.

PROPERTY OPERATING RECOVERIES AND EXPENSES

Property operating expenses consist of property taxes, property management fees and other expenses such as common area costs, utilities, and insurance. The majority of the REIT's property operating expenses are recoverable from tenants in accordance with the terms of the tenants' lease agreements. Operating cost recoveries are included in revenue from properties and amounted to \$17.1 million for the three months ended March 31, 2020 compared to \$18.3 million for the same period in 2019. Property tax recoveries decreased to \$8.0 million for the three months ended March 31, 2020 compared to \$8.7 million for the same period in 2019.

GENERAL AND ADMINISTRATIVE

General and administrative expenses are primarily comprised of asset management fees, professional fees, trustee fees, and other amounts. For the three months ended March 31, 2020, general and administrative expenses are consistent when compared to the same period in 2019. The increase in expenses is a result of higher marketing costs incurred during the three months ended March 31, 2020.

INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Three months ended March 31,	
	2020	2019
Mortgage interest	\$ 6,159	\$ 7,608
Interest on other debt	3,175	4,717
Amortization of deferred transaction costs	670	854
Amortization of debt mark-to-market adjustments	(58)	(97)
Interest on convertible debentures	376	372
	\$ 10,322	\$ 13,454

For the three months ended March 31, 2020, interest and finance costs were \$10.3 million, which has decreased by \$3.1 million when compared to the same period in 2019 primarily from debt repayment. Amortization of deferred transaction costs also decreased due to asset refinancing that took place in April 2019.

FINANCE INCOME ON FINANCE LEASE RECEIVABLE

The REIT has a 15 year lease with Manitoba Telecom Services Inc. for the Data Centre. The terms of the lease at inception met the requirements for classification as a finance lease because the minimum lease payments amounted to at least substantially all of the fair value of the leased asset. As a result of this classification, a portion of the lease payments earned on the property is recorded as interest income on finance lease. Interest income recognized on the finance lease for the three months ended March 31, 2020 was \$0.9 million, which is comparable to interest income recognized for the same period in 2019.

The REIT makes an adjustment to recognize the contribution made by the Data Centre to its Core-FFO and AFFO to account for the difference between accounting under IFRS and the lease contributions a cash basis. On a cash basis the Data Centre currently contributes approximately \$6.1 million annually from lease payments.

CHANGE IN FAIR VALUE OF PROPERTIES

The change in fair value of properties increased \$2.9 million for the three months ended March 31, 2020 compared to the comparative period in 2019. A large portion of the change in fair value of properties relates to revised timing of speculative leasing across the REIT's portfolio due to COVID-19. The REIT also obtained property appraisals for one of its assets with a value of \$109.0 million during the three months ended March 31, 2020.

CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

The change in fair value of financial instruments represents the change in the fair value of the REIT's interest rate swaps, subscription receipts and deferred unit liabilities on deferred units issued to Trustees and Officers of the REIT. For the three months ended March 31, 2020, the fair value of financial instruments decreased \$28.5 million, compared to the same periods in 2019 due to prevailing interest rates which impacts the REIT's pay-fixed receive-float interest rate swaps.

INCOME TAXES

The REIT is a mutual fund trust and real estate investment trust pursuant to the Tax Act. Under the Tax Act, so long as the REIT meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"), the REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders during the period. Management intends to operate the REIT in a manner that enables the REIT to continue to meet the REIT Conditions and to distribute all of its taxable income to unitholders. The REIT has reviewed the SIFT Rules and has assessed their application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions for the three months ended March 31, 2020 and 2019, and accordingly is not subject to current income taxes in Canada. Accordingly, no provision for current income taxes is required, except for amounts incurred by the U.S. subsidiary.

The REIT's U.S. subsidiary is subject to federal and state income tax on taxable income from U.S. operations. The REIT recognizes deferred tax assets and liabilities at prevailing tax rates when such differences are expected to settle, based on tax laws enacted at the reporting date. The U.S. subsidiary is subject to a combined federal and state rate of 28.51%.

QUARTERLY INFORMATION

The following is a summary of financial and operational information for the REIT for the eight most recently completed quarters:

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Revenue	\$ 49,694	\$ 51,329	\$ 52,539	\$ 54,452	\$ 57,200	\$ 59,055	\$ 54,499	\$ 52,056
Operating costs	(34,815)	(25,599)	(25,152)	(26,468)	(37,604)	(29,429)	(26,825)	(26,377)
IFRIC 21 property tax adjustment	7,169	(2,555)	(2,330)	(2,212)	7,097	(2,107)	(1,151)	(585)
Straight-line rent and other	947	999	378	612	350	(161)	(524)	118
Net operating income	\$ 22,995	\$ 24,174	\$ 25,435	\$ 26,384	\$ 27,043	\$ 27,358	\$ 25,999	\$ 25,212
Net (loss) income	\$ (14,906)	\$ 19,813	\$ 27,195	\$ 9,514	\$ 5,919	\$ 27,944	\$ 17,697	\$ 23,592
Weighted average diluted units ¹	73,278	73,278	73,283	74,093	75,247	75,261	75,203	75,139
Net (loss) income and comprehensive (loss) income per unit	\$ (0.20)	\$ 0.27	\$ 0.37	\$ 0.13	\$ 0.08	\$ 0.37	\$ 0.24	\$ 0.31
Distributions ²	\$ 7,305	\$ 7,309	\$ 7,309	\$ 7,361	\$ 11,890	\$ 14,096	\$ 14,086	\$ 14,077
Distributions per unit	\$ 0.1000	\$ 0.1000	\$ 0.1000	\$ 0.1000	\$ 0.1583	\$ 0.1875	\$ 0.1875	\$ 0.1875
FFO ³	\$ 12,408	\$ 12,600	\$ 14,280	\$ 13,103	\$ 13,543	\$ 13,758	\$ 15,071	\$ 14,810
FFO per unit - diluted ³	\$ 0.17	\$ 0.17	\$ 0.19	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.20	\$ 0.20
FFO payout ratio ³	58.9%	58.0%	51.2%	56.2%	87.8%	102.5%	93.5%	95.1%
Core-FFO ³	\$ 13,054	\$ 13,236	\$ 14,906	\$ 13,719	\$ 14,150	\$ 14,356	\$ 15,659	\$ 15,389
Core-FFO per unit - diluted ³	\$ 0.18	\$ 0.18	\$ 0.20	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.21	\$ 0.20
Core-FFO payout ratio ³	56.0%	55.2%	49.0%	53.7%	84.0%	98.2%	90.0%	91.5%
AFFO ³	\$ 11,189	\$ 11,498	\$ 12,420	\$ 12,193	\$ 11,766	\$ 11,101	\$ 12,755	\$ 12,836
AFFO per unit - diluted ³	\$ 0.15	\$ 0.16	\$ 0.17	\$ 0.16	\$ 0.16	\$ 0.15	\$ 0.17	\$ 0.17
AFFO payout ratio ³	65.3%	63.6%	58.8%	60.4%	101.1%	127.0%	110.4%	109.7%
Properties	\$1,608,638	\$1,622,085	\$1,658,126	\$1,655,665	\$1,789,784	\$1,780,413	\$1,783,261	\$1,604,452
Total assets	\$1,700,643	\$1,709,964	\$1,751,013	\$1,742,831	\$1,875,906	\$1,866,729	\$1,874,600	\$1,689,148
Debt	\$ 991,057	\$1,001,947	\$1,044,297	\$1,064,353	\$ 1,181,621	\$1,175,826	\$1,194,428	\$1,016,926
IFRS net asset value ("NAV")	\$ 629,983	\$ 659,057	\$ 649,423	\$ 624,928	\$ 634,447	\$ 642,878	\$ 635,375	\$ 628,247
Diluted units outstanding ¹	73,201	73,291	73,277	73,293	74,746	75,300	75,236	75,180
IFRS NAV per unit	\$ 8.61	\$ 8.99	\$ 8.86	\$ 8.53	\$ 8.49	\$ 8.54	\$ 8.45	\$ 8.36
LTV ratio	58.3%	58.7%	59.7%	61.2%	63.1%	63.1%	63.8%	60.2%
Net debt to adjusted EBITDA	10.4x	10.1x	10.2x	10.0x	11.2x	14.0x	0.014004	13.0x
Interest coverage ratio ³	2.2x	2.2x	2.1x	2.2x	2.0x	2.2x	2.4x	2.5x
Debt service coverage ratio ³	1.7x	1.7x	1.6x	1.6x	1.7x	1.8x	1.9x	1.9x
Leasing activity (square feet)	304,571	190,894	124,697	149,226	254,409	158,339	258,248	441,222
Leasing activity as a % of portfolio	4.4%	2.7%	1.7%	2.0%	3.4%	2.1%	3.3%	5.9%
Weighted average lease term (years)	5.5	5.6	5.6	5.5	5.6	5.8	5.7	5.5
Number of properties	36	37	38	39	41	41	43	45
Office GLA	6,821,215	6,998,980	7,221,258	7,377,177	7,467,648	7,467,367	7,756,469	7,348,159
Total GLA	6,936,049	7,113,814	7,336,092	7,492,011	7,582,482	7,582,201	7,871,383	7,463,073
Occupancy - excluding redevelopment	87.7%	88.3%	87.5%	88.6%	89.0%	88.9%	88.3%	89.1%
Occupancy	86.5%	87.1%	86.3%	87.2%	87.7%	87.6%	87.1%	86.8%

¹Includes REIT units, the conversion of the Class B LP units and deferred units and is shown in thousands at the end of the respective periods. Weighted average diluted units is the weighted average number of diluted units outstanding during the respective quarter and diluted units outstanding is the diluted units outstanding at the end of the quarter.

²Includes distributions made to both unitholders of the REIT and Class B LP unitholders.

³The calculation of these non-IFRS financial measures and a reconciliation to relevant IFRS measures are included in Part III and IV.

PART IV - FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

The REIT endeavors to maintain appropriate levels of financial liquidity to meet its business objectives and commitments. Primarily, the REIT utilizes revolving credit facilities to provide this financial liquidity in addition to cash on hand. The revolving credit facilities can be drawn or repaid on short notice, which reduces the need to hold cash and deposits, while also minimizing borrowing rates.

The principal liquidity needs of the REIT arise from working capital requirements, distributions to unitholders, planned funding of maintenance capital expenditures, leasing costs and future property acquisitions. Cash flows from operating the REIT's property portfolio, available funding under the REIT's credit facilities and cash on hand represent the primary sources of liquidity. Cash flows from operations are dependent upon rental occupancy levels, rental rates, the collection of rents, recoveries of operating costs and the level of operating costs.

The REIT's available liquidity is as follows:

	March 31, 2020	December 31, 2019
Cash	\$ 6,369	\$ 6,117
Undrawn revolving facilities	31,989	31,121
Liquidity	\$ 38,358	\$ 37,238

DEBT STRATEGY

The REIT's obligations with respect to debt repayments and funding requirements for future investment property acquisitions will be primarily funded from cash retained after distributions, refinancing the REIT's maturing debt, financing unencumbered properties or future issuances of trust units.

The REIT's overall borrowing objective is to obtain secured financing, with terms to maturity that are appropriate having regard to the lease maturity profiles of the underlying properties and which allows the REIT to achieve and maintain staggered debt maturities that reduce its exposure to interest rate fluctuations and re-financing risk in any particular period. The REIT also endeavors to have an appropriate amount of fixed rate debt and to extend loan terms when borrowing conditions are favourable, which is actively monitored by management.

The following are the REIT's interest rate hedges at March 31, 2020:

Maturity date	Floating interest rate ¹	Fixed interest rate	Notional amount ²		Fair value	
			March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
June 10, 2021	1 month CDOR	1.87%	\$ 62,998	\$ 63,488	\$ (891)	\$ 93
June 30, 2021	1 month BA	1.94%	35,000	35,000	(553)	15
September 10, 2025	1 month U.S. LIBOR	2.18%	143,395	131,276	(13,688)	(4,205)
April 12, 2023	1 month BA	1.90%	58,281	58,281	(1,817)	294
April 12, 2023	1 month CDOR	2.04%	79,094	79,614	(2,906)	(125)
April 12, 2023	1 month CDOR	2.04%	37,351	37,596	(1,372)	(59)
May 1, 2023	1 month BA	1.98%	—	25,802	—	(69)
October 30, 2026	1 month BA	2.30%	100,000	100,000	(8,415)	(1,560)
August 14, 2023	1 month BA	2.77%	18,584	18,692	(1,224)	(546)
February 1, 2024	1 month U.S. LIBOR	1.80%	70,935	64,940	(3,933)	(650)
March 22, 2024	1 month BA	1.90%	100,000	100,000	(4,049)	439
			\$ 705,638	\$ 714,689	\$ (38,848)	\$ (6,373)

¹BA" means the one-month Bankers' Acceptances rate and "LIBOR" means the one month U.S. London Interbank Offering Rate, and "CDOR" means the Canadian Dollar Offered Rate.

²The notional amount of the U.S. dollar pay-fixed receive-float interest rate swap, maturing August 30, 2022 and February 1, 2024, are U.S. \$101.1 million and U.S. \$50 million respectively.

Including these swaps, the REIT's fixed rate debt was 91.2% at March 31, 2020 (March 31, 2019 - 91.2%).

The REIT has multiple sources of financing from its various credit facilities which have borrowing capacity available and provide shorter term flexibility to support the REIT's multiple growth-oriented initiatives. Further, in instances where management believes that there are meaningful value creation opportunities, the REIT will generally seek to utilize short-term floating rate financing, to allow for maximum debt proceeds when subsequently utilizing term or mortgage debt upon full execution of management's asset strategy. Additionally, where management has identified properties for potential sale, the REIT will seek to utilize short-term floating rate financing to prevent value erosion on sale from requiring a purchaser to assume potentially above market low leverage debt. While the REIT's credit facilities represent one element of our funding strategy, this will be coupled with the REIT's access to financing alternatives from multiple financial institutions at competitive rates, which the REIT has

consistently done. In addition, the REIT's development pipeline and associated construction activities are funded by dedicated construction facilities provided by various banking syndicates at attractive rates for appropriate terms commensurate with each respective project.

Convertible Debentures

On January 26, 2018, the REIT issued \$28.8 million of 5.25% convertible unsecured subordinated debentures of the REIT. The convertible debentures are convertible into freely tradeable units at the option of the holder at any time prior to the close of business on the earliest of: (i) the last business day before February 28, 2023; or (ii) if called for redemption, the business day immediately preceding the date specified by the REIT for redemption of the debentures, at a conversion price of \$10.53 per unit (the "Conversion Price"). Convertible debenture holders converting their debentures will, in addition to the applicable number of units to be received on conversion, receive accrued and unpaid interest, if any, for the period from the last interest payment date on their convertible debentures to and including the last record date set by the REIT occurring prior to the date of conversion for determining the unitholders entitled to receive a distribution on the Units.

The convertible debentures may not be redeemed by the REIT prior to February 28, 2021. On and from February 28, 2021, and prior to February 28, 2022, the convertible debentures may be redeemed by the REIT, in whole at any time, or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted-average trading price of the Units on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and from February 28, 2022, and prior to February 28, 2023, the convertible debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice.

Maturity profile

The REIT has two facilities maturing in 2020, totaling \$192.0 million. The REIT expects to renew on similar terms upon renewal. The following is a summary of future principal repayments and maturities at March 31, 2020:

Remainder of 2020	\$ 191,950
2021	494,328
2022	8,599
2023	217,212
2024	4,730
Thereafter	78,127
	\$ 994,946

Debt profile

On April 2, 2020, the REIT refinanced the Maritime Centre in Halifax, Nova Scotia with a global financial institution for a term of five years, paying interest only at an all-in rate of 2.78%. This financing is comprised of a \$62.5 million mortgage and a construction facility of \$12.6 million.

Debt held by the REIT at March 31, 2020 is as follows:

	Maturity	Coupon ¹	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn ²
Mortgages ^{3 4 5}	Various	Various	16	\$ 978,398	\$ 572,985	\$ 572,985	\$ —	\$ —
Revolving facilities ^{5 6 7}	Various	Various	14	534,907	319,983	287,094	900	31,989
Term loan	Jun. 30, 2021	BA+213bps	5	144,779	106,117	106,117	—	—
Convertible debentures	Feb. 28, 2023	5.25%	—	—	28,750	28,750	—	—
			35	\$1,658,084	\$1,027,835	\$ 994,946	\$ 900	\$ 31,989

¹BA" means the one-month Bankers' Acceptances rate and "bps" means basis point or 1/100th of one percent.

²Debt is only available to be drawn subject to certain covenants and other requirements.

³The weighted average remaining term to maturity of mortgages is 2.8 years with maturities ranging from 0.4 to 10.5 years and the weighted average interest rate of mortgages is 3.37% with coupons ranging from 2.65% to 7.75%.

⁴Security includes the Data Centre, which is accounted for as a finance lease receivable and not included in the REIT's properties. The fair value of security includes the carrying value of the finance lease receivable.

⁵Amounts have been translated from U.S. to Canadian dollars using the prevailing exchange rate on March 31, 2020.

⁶Stand-by fees incurred on the unutilized portion of on the revolving operating facility and the revolving credit facility are each 0.40%, charged and paid quarterly.

⁷Principal balance includes \$167.4 million and U.S. \$54.2 million of operating facilities and a credit facility of \$42.8 million. The weighted average remaining term to maturity of revolving facilities is 0.8 years and the weighted average interest rate of revolving facilities is 3.01%.

The carrying value of debt held by the REIT at March 31, 2020 is as follows:

	Principal	Mark-to-market ("MTM") adjustments and costs	Accumulated amortization of MTM adjustments, costs and other	Carrying amount	Current	Non-current
Mortgages	\$ 572,985	\$ (3,329)	\$ 1,291	\$ 570,947	\$ 194,846	\$ 376,101
Revolving facilities	287,094	(2,295)	1,746	286,545	286,545	—
Term loan	106,117	(699)	253	105,671	—	105,671
Convertible debentures ¹	28,750	(1,320)	464	27,894	—	27,894
	\$ 994,946	\$ (7,643)	\$ 3,754	\$ 991,057	\$ 481,391	\$ 509,666

¹Represents the debt component of the convertible debentures. The embedded derivative features, which are the holder conversion option and the issuer redemption option, originally recorded in the amount of \$0.2 million, are accounted for separately. These embedded derivative features are included within derivatives on the REIT's consolidated statements of financial position.

INDEBTEDNESS RATIO

The indebtedness ratio is a non-IFRS measure calculated by the REIT. In accordance with the REIT's Declaration of Trust, the REIT's indebtedness may not exceed 65% of gross book value, which is defined by the Declaration of Trust as total assets less restricted cash. The REIT's indebtedness ratio at March 31, 2020 was 58.3% which is lower by 41 basis points compared to December 31, 2019. Subject to market conditions and the growth of the REIT, management's medium term target is to maintain total indebtedness at approximately 55%. The success of this strategy is dependent upon debt market parameters existing at the time of borrowing, as well as the particular features and quality of the underlying assets being financed. Management believes that this objective will require at least two years to achieve. If this strategy is unsuccessful, debt principal repayments may need to be funded by operating cash flows, additional draws under the REIT's revolving credit and operating facilities, financing of unencumbered income-producing properties or by issuances of equity or debt securities.

The REIT's indebtedness level is calculated as follows:

	March 31, 2020	December 31, 2019
Total assets	\$ 1,700,643	\$ 1,709,964
Less: restricted cash	(1,696)	(4,253)
Gross book value	1,698,947	1,705,711
Debt	\$ 991,057	\$ 1,001,947
Leverage ratio	58.3%	58.7%

Additional investment and operating guidelines are provided for by the Declaration of Trust. The REIT is in compliance with these guidelines.

ADJUSTED EBITDA

Adjusted EBITDA is a non-IFRS measure and is used by the REIT to monitor the REIT's ability to satisfy and service its debt as well as monitor requirements imposed by the REIT's lenders. Specifically, adjusted EBITDA is used to monitor the REIT's leverage ratio, interest coverage ratio and debt service ratio, which the REIT uses to measure its debt profile and assess its ability to satisfy its obligations, including servicing its debt. Management views adjusted EBITDA as a proxy for operating cash flow prior to interest costs. Adjusted EBITDA represents earnings before interest, income taxes, depreciation, fair value gains (losses) from both financial instruments and investment properties, while also excluding non-recurring items such as transaction costs from dispositions, acquisitions or other events.

The following is a reconciliation from net income to adjusted EBITDA:

	Twelve months ended March 31,	
	2020	2019
Net income	\$ 41,616	\$ 75,152
Straight line rent and other changes	2,936	(217)
Interest income	(608)	(339)
Interest and finance costs	45,856	48,991
Change in fair value of properties	(29,424)	(30,761)
IFRIC 21 property tax adjustment	72	7,097
Change in fair value of financial instruments	31,236	5,981
Distributions to Class B shareholders	2,112	3,810
Disposition costs	12,212	2,542
Depreciation of hotel asset	1,023	964
Change in fair value of Class B LP units	(12,896)	(7,981)
Deferred income tax recovery	675	128
Adjusted EBITDA	\$ 94,810	\$ 105,367

The following is a calculation of adjusted EBITDA:

	Twelve months ended March 31,	
	2020	2019
Rental revenue	\$ 208,014	\$ 222,810
Property operating expenses	(112,034)	(120,235)
IFRIC 21 property tax adjustment	72	7,097
Finance income on finance lease receivable	3,576	3,728
Straight line rent and other changes	2,936	(217)
Subscription receipt equivalent amount paid	—	—
General and administrative	(7,754)	(7,816)
Adjusted EBITDA	\$ 94,810	\$ 105,367

INTEREST COVERAGE

In addition to the REIT's level of indebtedness calculated in accordance with the REIT's Declaration of Trust, management also monitors certain financial measures, which include the (i) net debt to adjusted EBITDA leverage ratio, (ii) interest coverage ratio, and (iii) the debt service coverage ratio. All of these measures are non-IFRS measures.

Net debt to adjusted EBITDA leverage ratio

The net debt to adjusted EBITDA ratio is used to calculate the financial leverage of the REIT, specifically, its ability to meet financial obligations and to provide a measure of its balance sheet strength. The REIT calculates debt to adjusted EBITDA by dividing the aggregate amount of debt outstanding, less cash on hand, by the trailing twelve month adjusted EBITDA. The net debt to adjusted EBITDA leverage ratio also indicates the number of years required for the REIT's unleveraged operating earnings (i.e. before depreciation, amortization, transaction costs, gains or losses, fair value adjustments, and taxes) to cover or repay all outstanding debts. The net debt to adjusted EBITDA ratio also takes into consideration the cash on hand to decrease debt.

The following is a calculation of net debt to adjusted EBITDA for the trailing twelve months ended:

	March 31, 2020	December 31, 2019
Debt	\$ 991,057	\$ 1,001,947
Less: Cash on hand	6,369	6,117
Net debt	984,688	995,830
Adjusted EBITDA ¹	\$ 94,810	\$ 98,943
Net debt to Adjusted EBITDA (times)	10.4x	10.1x

¹Adjusted EBITDA is based on actuals for the twelve months preceding the balance sheet date.

Interest coverage ratio

The interest coverage ratio is useful in determining the REIT's ability to service the interest requirements of its outstanding debt. The interest coverage ratio is calculated by dividing adjusted EBITDA by the REIT's interest obligations for the period. Management utilizes this ratio to measure and limit leverage.

The following is a calculation of interest coverage ratio:

	Twelve months ended March 31,	
	2020	2019
Adjusted EBITDA	\$ 94,810	\$ 105,367
Interest expense	\$ 42,413	\$ 46,329
Interest coverage ratio (times)	2.2x	2.3x

Debt service coverage ratio

The debt service coverage ratio is determined as adjusted EBITDA divided by the debt service requirements for the period, whereby the debt service requirements reflects amortizing principal repayments and interest expensed during the period. Payments related to defeasance, prepayment penalties, or payments upon discharge of a mortgage are excluded from the calculation. The debt service coverage ratio is a useful measure and is used by the REIT's management to monitor the REIT's ability to meet annual interest and principal payments.

The following is a calculation of debt service coverage ratio:

	Twelve months ended March 31,	
	2020	2019
Adjusted EBITDA	\$ 94,810	\$ 105,367
Interest expense	42,413	46,329
Principal repayments	12,168	14,438
Debt service requirements	\$ 54,581	\$ 60,768
Debt service coverage ratio	1.7x	1.7x

DEBT REPAYMENT SCHEDULE

The following table outlines the REIT's annual principal payments and maturity schedule, together with the weighted average annual interest rates at March 31, 2020:

	Annual Principal Payments	Principal Repayments on Maturity	Total	Percentage (%)	Weighted Average Contractual Interest Rate on Maturing Debt (%)
Remainder of 2020	\$ 8,555	\$ 183,395	\$ 191,950	19.3%	3.1%
2021	10,395	483,933	494,328	49.6%	3.6%
2022	8,599	—	8,599	0.9%	0.0%
2023	5,863	211,349	217,212	21.8%	3.7%
2024	4,730	—	4,730	0.5%	0.0%
Thereafter	\$ 19,628	\$ 58,499	\$ 78,127	7.9%	3.6%
Weighted average interest rate					3.9%

The REIT has managed indebtedness to ensure the REIT is not exposed to liquidity risk due to concentration of debt maturities. As part of this strategy, the REIT is proactive in negotiating renewals for near term debt maturities. The REIT has debt maturing throughout 2020 totaling

\$183.4 million which the REIT expects to renew on consistent terms. At March 31, 2020, after the impact of interest rate swaps, the REIT had floating rate mortgage and debt of \$87.3 million (December 31, 2019 – \$88.2 million).

The following table presents the annualized impact of a change in floating interest rates of 25 basis points on finance costs:

	March 31, 2020	December 31, 2019
Change of 25 bps	\$ 218	\$ 221

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following is a summary of the REIT's contractual obligations over the next five years at March 31, 2020:

	Total contractual cash flow	Remainder of 2020	2021-2022	2023-2024	Thereafter
Accounts payable and accrued liabilities	\$ 35,371	\$ 35,371	\$ —	\$ —	\$ —
Amortizing principal repayments on debt	57,770	8,555	18,994	10,593	19,628
Principal repayments on maturity of debt	937,176	183,395	483,933	211,349	58,499
Interest on debt ¹	66,059	22,987	27,260	8,695	7,117
Interest rate swaps ²	30,671	5,000	12,915	9,263	3,493
Other liabilities	5,889	1,185	1,342	848	2,514
Total	\$ 1,132,936	\$ 256,493	\$ 544,444	\$ 240,748	\$ 91,251

¹Interest amounts on floating debt have been determined using floating rates at March 31, 2020.

²Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the March 31, 2020 floating rate.

DERIVATIVES

Interest rate derivatives

The REIT has entered into interest rate derivatives to reduce the impact of interest rate risk of certain debt with floating interest rates.

The REIT currently has in place certain pay-fixed and receive-float interest rate swaps. The swaps are derivative financial instruments that require a periodic exchange of payments with counter-parties without the exchange of the notional amount on which the payments are based. The recorded interest expense on the underlying mortgages payable reflects payments made and received under the interest rate swaps. These swaps are not designated as hedging instruments that qualify for hedge accounting under IFRS. Interest rate derivatives are measured at fair value with fair values estimated as the present value of contractual cash flows based on forward curves and an applicable discount rate.

The following are the terms and fair values of the REIT's interest rate swaps which bring the REIT's fixed debt ratio to 91.2% at March 31, 2020:

Maturity date	Floating interest rate ¹	Fixed interest rate	Notional amount ²		Fair value	
			March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
June 10, 2021	1 month CDOR	1.87%	\$ 62,998	\$ 63,488	\$ (891)	\$ 93
June 30, 2021	1 month BA	1.94%	35,000	35,000	(553)	15
September 10, 2025	1 month U.S. LIBOR	2.18%	143,395	131,276	(13,688)	(4,205)
April 12, 2023	1 month BA	1.90%	58,281	58,281	(1,817)	294
April 12, 2023	1 month CDOR	2.04%	79,094	79,614	(2,906)	(125)
April 12, 2023	1 month CDOR	2.04%	37,351	37,596	(1,372)	(59)
May 1, 2023	1 month BA	1.98%	—	25,802	—	(69)
October 30, 2026	1 month BA	2.30%	100,000	100,000	(8,415)	(1,560)
August 14, 2023	1 month BA	2.77%	18,584	18,692	(1,224)	(546)
February 1, 2024	1 month U.S. LIBOR	1.80%	70,935	64,940	(3,933)	(650)
March 22, 2024	1 month BA	1.90%	100,000	100,000	(4,049)	439
Total			\$ 705,638	\$ 714,689	\$ (38,848)	\$ (6,373)

¹"BA" means the one-month Bankers' Acceptances rate and "LIBOR" means the one month U.S. London Interbank Offering Rate, and "CDOR" means the Canadian Dollar Offered Rate.

²The notional amount of the U.S. dollar pay-fixed receive-float interest rate swap, maturing August 30, 2022, is U.S. \$101.1 million.

Foreign exchange derivative

The REIT intends to manage its U.S. dollar exposure from its net investment in U.S. operations through foreign exchange swaps. From time to time, the REIT may enter into foreign exchange derivatives to sell U.S. dollars and buy Canadian dollars on a forward basis to mitigate the REIT's exposure to value changes in the Canadian dollar equivalent value of the REIT's equity in its U.S. properties resulting from U.S.-Canadian exchange rates.

The REIT has executed the following hedges in 2020:

On February 6, 2020 the REIT entered into a foreign exchange transaction to sell U.S. \$50.0 million at an exchange rate of 1.3295 and purchase Canadian dollars. On March 6 2020, the REIT entered into a foreign exchange transaction to sell U.S. \$25.0 million at an exchange rate of 1.3422 and purchase Canadian dollars. On March 31, 2020 the REIT entered into an offsetting trade to purchase U.S. \$75.0 million and settled on a net basis with the original transaction for \$6.3 million which was recorded in other comprehensive income.

FINANCIAL CONDITION

The REIT's primary sources of capital are cash generated from operating, financing and investing activities. Management expects to meet all of the REIT's obligations through current cash and cash equivalents, cash flows from operations, the REIT's revolving credit facility, and refinancing of mortgages and equity.

The following table provides an overview of the REIT's cash flows from operating, financing and investing activities:

	Three months ended March 31,	
	2020	2019
Net change in cash related to:		
Operating	\$ 7,774	\$ 19,985
Investing	10,213	(16,900)
Financing	(17,788)	(5,585)
Foreign exchange gain (loss) on cash held in foreign currency	53	(14)
Increase (decrease) in cash	\$ 252	\$ (2,514)

The change in cash for the three month period ended March 31, 2020 and 2019 was the result of the following factors:

- Operating – cash flows for the three month period ended March 31, 2020 decreased by \$12.2 million when compared to the same period in 2019. NOI has decreased period over period from asset dispositions throughout 2019 and in January 2020.
- Investing – cash inflows for the three month period ended March 31, 2020 were \$10.2 million compared to cash outflows of \$16.9 million in the same period in 2019. The cash inflows in the current period were from the disposition of 4211 Yonge Street in Toronto, ON during the three month period ended March 31, 2020. For the three month period ended March 31, 2019 the REIT had cash expenditures of 16.9 million from capital and leasing expenditures
- Financing – cash expenditure for the three month period ended March 31, 2020 primarily relates to the repayment of debt from proceeds on 4211 Yonge Street in Toronto, ON in January 2020 and the settlement of net investment hedges.

DEFERRED UNIT PLAN

Trustee deferred unit plan

Effective May 26, 2015, the REIT adopted a deferred unit plan for Trustees of the REIT (the "Trustee DUP"). Trustees who are not employees of the REIT or the Manager, Slate Asset Management (Canada) L.P., or any of their subsidiaries, are eligible to participate in the Trustee DUP. Participants may elect to receive all or a portion of their annual retainer, meeting fees and additional compensation (including travel fees), in deferred units. One deferred unit, which vests immediately on the grant date, is equivalent to one trust unit. Additional deferred units accumulate at the same rate that distributions are paid on the trust units.

The deferred units may be redeemed by a participant for a period of two years after the participant ceases to be a Trustee of the REIT in whole or in part for cash or trust units. The value of the deferred units when converted to cash will be equivalent to the market value of trust units on the date of the redemption request.

At March 31, 2020, the liability associated with the Trustee DUP was \$0.5 million (March 31, 2019 - \$0.6 million), and the number of outstanding deferred units was 140,038 (March 31, 2019 - 108,955 units).

Officer deferred unit plan

On March 21, 2016, the REIT adopted a deferred unit plan for officers of the REIT (the "Officer DUP"). The Officer DUP provides officers of the REIT the opportunity to receive deferred units of the REIT. The maximum number of deferred units reserved for issuance under the Officer DUP is 1% of total units outstanding. One deferred unit, which vests immediately on the grant date, is equal to one trust unit. Any units issued under the Officer DUP will result in an equal reduction and offsetting in the asset management fee payable to SMULC, based on the trading price of units on the day of issuance.

The deferred units may be redeemed by a participant after two years following the date the units were issued in whole or in part for cash or trust units. The value of the deferred units when converted to cash will be equivalent to the market value of trust units on the date of the redemption request.

If a participant ceases to be an officer of the REIT, the deferred units must be redeemed no later than two years following that date.

As at March 31, 2020, the liability associated with deferred units issued under the Officer DUP was \$38 thousand (March 31, 2019 - \$0.1 million) and the number of deferred units was 10,303 (March 31, 2019 - 9,614).

EQUITY

The REIT is authorized to issue an unlimited number of trust units. Each trust unit represents a proportionate undivided beneficial interest and voting right in the REIT and entitles the holder to an equal participation in distributions of the REIT. The trust units are redeemable at the option of the holder at any time. The REIT's trust units are traded on the TSX and had a closing price of \$3.67 on March 31, 2020.

The REIT is also authorized to create and issue an unlimited number of preferred units, in one or more classes comprised of unlimited series, having terms and conditions as may be determined by the Board of Trustees from time to time. There have been no preferred units created or issued.

As at March 31, 2020, the total number of trust units outstanding was 67,765,409. As at May 13, 2020, the total number of trust units outstanding was 67,765,409.

Normal course issuer bid

On May 15, 2019, the REIT renewed its normal course issuer bid ("NCIB"), whereby the REIT may purchase up to 6,785,339 trust units, subject to certain restrictions. The renewed NCIB expires on the earlier of May 14, 2020 and the repurchase of the maximum number of trust units. During the three months ended March 31, 2020 the REIT repurchased and cancelled 113,000 units for an aggregate cost of \$0.4 million. This reduced the number of outstanding REIT units, which is accretive to net asset value and per unit metrics for unitholders. As the impact of COVID-19 develops, the REIT has prioritized cash preservation over continuing to repurchase units under its NCIB until there is further clarity on the ultimate impact to the REIT and its tenants.

Potential trust units

	March 31, 2020	December 31, 2019
Class B LP units	5,285,160	5,285,160
Deferred units	150,339	127,007
	5,435,499	5,412,167

The Class B LP units are exchangeable into trust units of the REIT on a one-for-one basis, subject to anti-dilution adjustments. Each Class B LP unit is accompanied by one special voting unit of the REIT providing the same voting rights in the REIT as the trust units of the REIT and is entitled to distributions of cash equal to the cash distributions paid to holders of trust units by the REIT. The Class B LP units are recognized in the REIT's consolidated financial statements as financial liabilities measured at fair value through profit and loss. Upon exchange into trust units of the REIT, the carrying amount of the liability representing the fair value of the Class B LP units on exchange date will be reclassified to unitholders' equity. During the three month period ended March 31, 2020, there were no Class B LP units exchanged for the REIT's trust units.

Weighted average diluted units outstanding

The following is the weighted average diluted number of units outstanding during the three month period ended March 31, 2020 and 2019. The diluted weighted average trust units outstanding is determined as if all of the Class B LP units and deferred units have been converted to units of the REIT:

	Three months ended March 31,	
	2020	2019
Basic weighted average units outstanding	67,864,750	69,853,383
Class B LP units	5,285,160	5,285,160
Deferred units	128,116	108,029
Diluted weighted average units outstanding	73,278,026	75,246,572

Diluted units outstanding

The following is the diluted number of units outstanding at March 31, 2020 and 2019. The diluted number of units outstanding is determined as if all of the Class B LP units and deferred units have been converted to units of the REIT:

	March 31, 2020	March 31, 2019
Trust units outstanding	67,765,409	69,342,474
Class B LP units	5,285,160	5,285,160
Deferred units	150,339	118,569
Diluted units outstanding	73,200,908	74,746,203

RELATED PARTY TRANSACTIONS

The REIT has a management agreement (the "Management Agreement") with SMULC, an indirect subsidiary of Slate, whereby SMULC as the REIT's manager provides the REIT with the strategic, administrative, property management, leasing, acquisition and disposition, financing and construction management services necessary to manage the strategy and day-to-day operations of the REIT and its assets.

Slate directly and indirectly held the following interests in the REIT:

	March 31, 2020	December 31, 2019
REIT units	1,687,251	1,687,251
Class B LP units	5,285,160	5,285,160
Total	6,972,411	6,972,411
Economic interest	9.5%	9.5%

Since becoming the manager of the REIT in late 2014, Slate has been the largest unitholder in the REIT. Accordingly, Slate is highly motivated to continue to grow the operations and financial position of the REIT on an accretive basis.

The Management Agreement provides for the following fees:

Type	Basis
Property management	3% of gross revenue ¹
Asset management	0.3% of gross book value ²
Leasing	5% on new leases, 2% on renewals ³
Financing	0.25% of debt financed
Construction	5.0% of costs
Acquisition	Variable ⁴

¹Gross revenue is defined as all revenues received by and/or on behalf of the REIT from the leasing and/or licensing of the the REIT's properties.

²Gross book value is defined as the book value of the REIT's assets as shown on the previous quarter's consolidated financial statements, less restricted cash.

³Leasing fees are charged to the REIT net of any third party brokerage fees paid to leasing agents retained by the REIT. No fee is charged to the REIT where such third party fees are equal to or greater than the lease fee payable to SMULC.

⁴Acquisition fees are 1.0% on the first \$100 million of acquisitions; 0.75% on the next \$100 million of acquisitions and 0.50% for acquisitions in excess of \$200 million.

The REIT incurred the following fees under the Management Agreement:

	Three months ended March 31,	
	2020	2019
Property management	\$ 1,449	\$ 1,653
Asset management	1,290	1,404
Leasing, financing, and construction management	1,049	1,406
Acquisition	—	—
	\$ 3,788	\$ 4,463

Property administration fees are generally recoverable under the tenants' leases relating to assets or resources of the Manager that are directly attributable to the management of the REIT's properties. Property administration fees were \$2.5 million for the three month period ended March 31, 2020 (March 31, 2019 – \$2.7 million). Administrative fees are recovered from most tenants by the REIT in accordance with the terms of the leases, whereas property management fees payable by the REIT to the Manager are determined in accordance with the Management Agreement. The REIT entered into an agreement to lease approximately 6,000 square feet of office space to Slate at one of its properties for a term of 10 years, commencing November 1, 2019.

As part of the REIT's acquisition of a seven asset portfolio in the Greater Toronto Area and Atlantic Canada on March 27, 2018, the REIT was provided an income supplement in the aggregate amount of \$2.4 million to be received in equal quarterly installments in each of the eight calendar quarters following the acquisition of the seven asset portfolio from SCREO I L.P., an entity managed by Slate. During the three month period ended March 31, 2020, the REIT recorded \$4 thousand as interest income in the consolidated statement of income.

The following are the assets and liabilities included in the consolidated statements of financial position of the REIT related to SMULC and Slate:

	March 31, 2020	December 31, 2019
Income supplement receivable	\$ —	\$ 296
Accounts receivable	416	545
Accounts payable and accrued liabilities	(1,597)	(843)
Class B LP units	(19,396)	(30,918)

PART V - ACCOUNTING AND CONTROL

CRITICAL ACCOUNTING ESTIMATES

The REIT has identified the estimate of the fair value of its properties as a critical accounting estimate due to the significance of the estimate to the REIT's financial position and impact of changes on fair value to net income. Estimating the fair value of real property is characterized by uncertainty, both in terms of differences between different methods of valuation but also in the selection of assumptions to reflect the property being valued, certain of which are subjective. There is no assurance that management's, or a third-party's, estimate of fair value would be realized on sale due to the specific and unique aspects of real property, including their location, liquidity, tenants and the local demand and supply of competing properties for tenants.

The REIT determines the fair value of properties based upon either the overall income capitalization rate method or the discounted cash flow method, direct comparison approach or through a combination of methods. All methods are generally accepted appraisal methodologies. If a third party appraisal is not obtained for a property, management uses one or a combination of the overall income capitalization rate method and the discounted cash flow method. In certain circumstances the direct comparison approach is used by comparing properties to similar properties that have sold, but adjusting for differences in the nature, location and other relevant considerations of the properties. The valuation methodology used, or combination of methodologies used, is based on the applicability and reliability of the relative approaches in the context of the subject property.

The fair values of properties are measured individually without consideration to their aggregate value on a portfolio basis. No consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or to the utilization of a common management platform, amongst other benefits. As a result, the fair value of the REIT's properties taken in aggregate may differ from the fair value of properties measured individually in the REIT's consolidated statements of financial position.

The following is a summary of the methodologies undertaken by management to estimate the fair value of the REIT's properties:

Overall income capitalization approach

The overall income capitalization approach evaluates a property's potential to generate cash flows and converts those cash flows into a present value. Generally, the REIT estimates a stabilized NOI and applies a capitalization rate to that income to estimate fair value. Stabilized NOI is determined as the property's potential gross income that could be generated at full capacity, less a vacancy and collection allowance. The capitalization rate used is derived from analysis of comparable sales data and the relative relationship of other properties' NOI over their sale price. In many cases, industry surveys are available that provide indicative ranges of capitalization rates for recently sold properties or views on value, however, certain adjustments are required to adjust for the specific nature, location and quality of properties.

Discounted cash flow method

Under the discounted cash flow method, fair values are primarily determined by discounting the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 NOI. Capitalization and discount rates are the most significant assumptions in determining fair value. The REIT uses leasing history, market reports, tenant profiles and available appraisals, among other things, in determining the most appropriate assumptions.

Direct comparison approach

This approach involves comparing properties similar to the property for which fair value is being estimated and making adjustments to reconcile differences in size, location, nature and the quality of the property.

A summary of the significant assumptions used in the REIT's estimate of fair value as at March 31, 2020 is included in this MD&A. Changes in these assumptions would have a significant impact on the REIT's estimate of fair value, which can be impacted by changes in demand for properties similar to those owned by the REIT, expectations of market rents, the covenant quality of tenants and the general economic environment. Further, these changes can occur at different times and magnitudes for each of the REIT's Western, Ontario and Atlantic regions based on the investment environments in each of their respective markets.

INCOME TAXES AND THE REIT EXCEPTION

The REIT's currently qualifies as a "mutual fund trust" as defined in the Tax Act. In accordance with the REIT's Declaration of Trust, distributions to Unitholders are declared at the discretion of the trustees. The REIT endeavours to distribute to Unitholders, in cash or trust units, in each taxation year its taxable income to such an extent that the REIT will not be liable to income tax under Part I of the Tax Act.

The Tax Act imposes a special taxation regime (the "SIFT Rules") applicable to certain publicly traded income trusts (each a "SIFT"). A SIFT includes a trust resident in Canada with publicly traded units that holds one or more "non-portfolio properties". "Non-portfolio properties" include certain investments in real properties situated in Canada and certain investments in corporations and trust residents in Canada and in partnerships with specified connections in Canada. Under SIFT Rules, a SIFT is subject to tax in respect of certain distributions that are attributable to the SIFT's "non-portfolio earnings" (as defined in the Tax Act; generally, income (other than certain dividends) from, or capital gains realized on, "non-portfolio properties", which does not include certain investments in non-Canadian entities), at a rate substantially equivalent to the combined federal and provincial corporate tax rate on certain types of income. The SIFT Rules are not applicable to a SIFT that meets certain specified

criteria relating to the nature of its revenues and investments in order to qualify as a real estate investment trust for purposes of the Tax Act (the "REIT Exception"). The REIT qualifies for the REIT Exception as of March 31, 2020.

The REIT's U.S. subsidiary is subject to federal and state income tax on taxable income from the operations of 20 South Clark and 120 South LaSalle. The REIT recognizes deferred tax assets on unused tax losses and deductible temporary tax differences. The REIT recognizes deferred tax liabilities on deferred tax assets and liabilities are measured at prevailing tax rates when such differences are expected to settle, based on tax laws enacted at the reporting date.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The REIT's management, under the supervision of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as such terms are defined in National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109").

DC&P are those controls and other procedures that are designed to provide reasonable assurance that all material information required to be disclosed by the REIT in annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. Furthermore, DC&P are those controls and other procedures that are designed to ensure that material information required to be disclosed by the REIT in annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the REIT's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS for the three month period ended March 31, 2020.

As at March 31, 2020 the REIT's CEO and CFO, along with the assistance of others, have designed disclosure controls and procedures to provide reasonable assurance that information required to be disclosed in the various reports filed or submitted by the REIT under securities legislation is recorded, processed, summarized and reported accurately and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In the design of its internal controls the REIT uses the 2013 framework published by the Committee of Sponsoring Organizations of the Treadway Commission. No changes were made in the REIT's design of ICFR for the three month period ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, the REIT's ICFR.

In designing such controls, it should be recognized that due to inherent limitations, any controls or control systems, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected or prevented. These inherent limitations include, without limitation, (i) the possibility that management's assumptions and judgments may ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART VI - PROPERTY TABLE

Details of the REIT's property portfolio at March 31, 2020 is set out in the table below:

Asset Class	Property Address	Property Name	City	Year Built / Renovated / Expanded	Interest	Square feet of GLA	Occupancy
United States Office							
	20 South Clark Street		Chicago, IL	1970 / 2005	100%	381,607	86.6%
	120 South LaSalle Street		Chicago, IL	1929 / 1998	100%	656,033	84.5%
Total United States Office						1,037,640	85.3%
Greater Toronto Area Office							
	7030, 7050, 7100 Woodbine Avenue & 55. 85 Idema Road	Woodbine & Steeles Corporate Centre	Markham, ON	1984 / 2011	75%	359,541	90.5%
	3000 - 3100 Steeles Avenue East	Gateway Centre	Markham, ON	1982 / 1987	75%	238,945	96.3%
	2655 - 2695 North Sheridan Way	The Sheridan Exchange	Mississauga, ON	1987 / 1989	75%	158,322	85.0%
	2285 Speakman Drive		Mississauga, ON	1981	100%	127,419	100.0%
	2599 Speakman Drive ¹		Mississauga, ON	1971 / 2011	100%	119,145	15.1%
	2251 Speakman Drive		Mississauga, ON	1965 / 2016	100%	115,580	100.0%
	1189 Colonel Sam Drive		Oshawa, ON	2001	100%	103,179	100.0%
	1 Eva Road		Toronto, ON	1978 / 2011	100%	91,963	87.3%
	185 - 195 The West Mall	West Metro Corporate Centre	Toronto, ON	1986 / 2006	75%	618,341	91.5%
	401 - 405 The West Mall	Commerce West	Toronto, ON	1982 / 2009	75%	412,532	90.6%
	105 Moatfield Drive		Toronto, ON	1982	100%	248,981	100.0%
	95 Moatfield Drive		Toronto, ON	1982	100%	156,426	100.0%
Total Greater Toronto Area Office						2,750,374	90.1%
Atlantic Office							
	440 King Street	Kings Place	Fredericton, NB	1974 / 2001	100%	295,758	89.8%
	250 King Street		Fredericton, NB	2000	100%	80,162	100.0%
	460 Two Nations Crossing		Fredericton, NB	2008	100%	50,229	100.0%
	570 Queen Street		Fredericton, NB	1989	100%	69,137	89.3%
	644 Main Street	Blue Cross Centre	Moncton, NB	1988 / 2006	100%	320,154	99.3%
	81 Albert Street		Moncton, NB	2002	100%	64,954	100.0%
	39 King Street ²	Brunswick Square	Saint John, NB	1976	100%	508,118	63.6%
	4 Herald Avenue		Corner Brook, NL	1968 / 1978	100%	73,393	27.5%
	100 New Gower Street	Cabot Place	St. John's, NL	1987	100%	136,167	99.1%
	10 Factory Lane	The Johnson Building	St. John's, NL	1980	100%	188,170	100.0%
	5 Springdale Street	Fortis Place	St. John's, NL	2014	100%	142,973	79.1%
	140 Water Street	TD Place	St. John's, NL	1980 / 2013	100%	102,879	70.2%
	1505 Barrington Street	Maritime Centre	Halifax, NS	1977 / 1985	100%	524,047	82.5%
	84 - 86 Chain Lake Drive		Halifax, NS	2008 / 2011	100%	77,979	46.5%
Total Atlantic Office						2,634,120	82.0%
Western Office							
	280 Broadway Avenue ³		Winnipeg, MB	1957	100%	105,341	86.2%
	114 Garry Street		Winnipeg, MB	1950 / 1995	100%	74,246	100.0%
	1450 Waverley Street	Bell MTS Data Centre	Winnipeg, MB	2015	100%	64,000	100.0%
	365 Hargrave Street		Winnipeg, MB	Various	100%	70,719	100.0%
	1870 Albert Street	Saskatchewan Place	Regina, SK	1985	100%	84,775	70.4%
Total Western Office						399,081	90.1%
Office						6,821,215	86.1%

¹Property under redevelopment.

²Includes Delta Brunswick Hotel.

³Includes a seven-storey office building at 280 Broadway Avenue, a three-storey multi-family residential building located at 70 Smith Street and two parking lots located at 286 Broadway Avenue and 68 Smith Street; excludes occupancy from residential tenants at 70 Smith Street.

Asset Class	Property Address	Property Name	City	Year Built / Renovated / Expanded	Interest	Square feet of GLA	Occupancy
Non-office							
	5404 36th Street SE	Doka Building	Calgary, AB	1980	100%	36,000	100.0%
	200 Manitoba 10	Walmart Flin Flon	Flin Flon, MB	2002	100%	63,439	100.0%
	307 - 311 Airport Road	Airport Road Shopping Centre	Yellowknife, NWT	1984 / 1993	100%	15,395	100.0%
Non-office						114,834	100.0%
Total Portfolio						6,936,049	86.5%
Redevelopment							
	2599 Speakman Drive		Mississauga, ON	1971 / 2011	100%	119,145	15.1%
Total Portfolio Excluding Office Redevelopment						6,816,904	87.7%

Corporate Information

Slate Office REIT is an unincorporated, open-ended investment trust fund under and governed by the laws of the Province of Ontario. The REIT focuses on acquiring, owning and leasing a portfolio of diversified revenue-producing commercial real estate office properties in North America.

Trustees

John O'Bryan, Chair ³
Corporate Director

Monty Baker ¹²
Corporate Director

Nora Duke ²³
Executive Vice-President, Sustainability and Chief
Human Resources Officer, Fortis Inc.

Meredith Michetti ¹
Corporate Director

Thomas Farley ¹²³
Corporate Director

Blair Welch ³
Partner and Co-founder,
Slate Asset Management

Brady Welch
Partner and Co-founder,
Slate Asset Management

¹ Compensation, Governance and Nomination Committee

² Audit Committee

³ Investment Committee

Head Office

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Independent Auditors

KPMG LLP
Chartered Professional Accountants
Toronto, Canada

Toronto Stock Exchange Listings

SOT.UN: trust units
SOT.DB: 5.25% convertible unsecured subordinated debentures

Registrar and Transfer Agent

TSX Trust Company
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The REIT's website www.slateofficereit.com provides additional information regarding the REIT's portfolio, investment strategy, management and corporate governance. Additionally, the Investor section includes news, presentations, events, regulatory filings and stock information.



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